

## FRANCHISE DISCLOSURE DOCUMENT

### HELLO, SUGAR

**HELLO SUGAR FRANCHISE, LLC**  
an Arizona limited liability company  
151 N. Centennial Way  
Mesa, Arizona 85201  
602-737-0406  
franchise@hellosugar.salon  
www.hellosugar.salon

You will operate a business that features services relating to waxing, sugaring, and other related products and services, under our then-current trademarks. You may also offer, if you choose, laser hair removal services.

The total investment necessary to begin the operation of a Hello Sugar suite franchise is \$95,940 to \$119,324. This includes \$74,051 to \$76,081 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin the operation of a Hello Sugar flagship franchise is \$269,361 to \$614,850. This includes \$96,676 to \$111,711 that must be paid to the franchisor or an affiliate.

The total investment necessary to begin operation of a Hello Sugar flagship and operate a suite before the flagship is being constructed is \$304,801 to \$673,674. This includes \$107,405 to \$124,070 that must be paid to the franchisor or an affiliate.

We also offer qualified parties the right to own and operate multiple Hello Sugar suites and flagship franchises within a defined development area. The total investment necessary to begin developing multiple Hello Sugar suites or flagship franchises under an area development agreement with us will vary based on the number of Hello Sugar suites or flagship franchises you are granted the right to develop. The minimum number of franchises that you may purchase the right to develop under an area development agreement is two (2).

The total investment necessary to own and operate two (2) Hello Sugar suites is \$140,940 to \$164,324. This includes (i) a \$95,000 development fee that is paid to franchisor or an affiliate, and (ii) the initial investment to open and operate the first Hello Sugar suite. The total investment necessary to own and operate three (3) Hello Sugar suites is \$180,940 to \$204,324. This includes (i) a \$135,000 development fee that must be paid to the franchisor or an affiliate, and (ii) the initial investment necessary to open and operate the first Hello Sugar suite. The total investment necessary to own and operate four (4) Hello Sugar suites is \$220,940 to \$244,324. This includes (i) a \$175,000 development fee that must be paid to the franchisor or an affiliate, and (ii) the initial investment necessary to open and operate the first Hello Sugar suite.

The total investment necessary to own and operate two (2) Hello Sugar flagships is \$314,361 to \$659,850. This includes (i) a \$95,000 development fee that is paid to franchisor or an affiliate, and (ii) the initial investment to open and operate the first Hello Sugar flagship. The total investment necessary to own and operate three (3) Hello Sugar flagships is \$354,361 to \$699,850. This includes (i) a \$135,000 development fee that must be paid to the franchisor or an affiliate, and (ii) the initial investment necessary to open and operate the first Hello Sugar flagship. The total investment necessary to own and operate four (4) Hello Sugar flagships is \$394,361 to \$739,850. This includes (i) a \$175,000 development fee that must be paid to the franchisor or an affiliate, and (ii) the initial investment necessary to open and operate the first Hello Sugar flagship.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive the 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 government agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise", which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://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: May 30, 2024, as amended August 30, 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:

<b>QUESTION</b>	<b>WHERE TO FIND INFORMATION</b>
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit F.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Hello Sugar business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Hello Sugar franchisee?</b>	Item 20 or Exhibit F lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation and/or litigation only in Arizona. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with the franchisor in Arizona than in your own state.
2. **Spouse Liability.** Your spouse must sign a document that makes your spouse liable for your financial obligations under the franchise agreement, even if your spouse has no ownership interest in the business. This guarantee will place both your and your spouse's personal and marital assets, perhaps including your house, at risk if your franchise fails.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise system with a longer operating history.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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.

**THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS  
OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN**

**ADDENDUM TO HELLO SUGAR FRANCHISE, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF MICHIGAN**

**NOTICE**

**The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type 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 franchises 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 competitor of the franchisor or subfranchisor.

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

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

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchise unless provision has been made for providing the required contractual services.

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

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

Note: Notwithstanding paragraph (f) above, we intend to, and you agree that we and you will, enforce fully the provisions of the arbitration section of our agreements. We believe that paragraph (f) is unconstitutional and cannot preclude us from enforcing the arbitration provisions.

**HELLO SUGAR FRANCHISE, LLC**  
**Franchise Disclosure Document**

**Table of Contents**

ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES .....	7
ITEM 2: BUSINESS EXPERIENCE .....	8
ITEM 3: LITIGATION .....	8
ITEM 4: BANKRUPTCY .....	11
ITEM 5: INITIAL FEES .....	11
ITEM 6: OTHER FEES .....	12
ITEM 7: ESTIMATED INITIAL INVESTMENT .....	21
ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES .....	29
ITEM 9: FRANCHISEE'S OBLIGATION .....	30
ITEM 10: FINANCING .....	33
ITEM 11: FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING ..	33
ITEM 12: TERRITORY .....	41
ITEM 13: TRADEMARKS .....	43
ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION .....	43
ITEM 15: OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS.....	44
ITEM 16: RESTRICTIONS ON WHAT FRANCHISEE MAY SELL .....	45
ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION .....	45
ITEM 18: PUBLIC FIGURES .....	52
ITEM 19: FINANCIAL PERFORMANCE REPRESENTATIONS .....	53
ITEM 20: OUTLETS AND FRANCHISEE INFORMATION .....	75
ITEM 21: FINANCIAL STATEMENTS.....	80
ITEM 22: CONTRACTS .....	80
ITEM 23: RECEIPTS .....	80
LIST OF EXHIBITS	
EXHIBIT A: List Of State Franchise Administrators And Agents For Service Of Process	
EXHIBIT B: Franchise Agreement	
Exhibit 1: Territory Rights and Franchisee Information	
Exhibit 2: Collateral Assignment of Lease	
Exhibit 3: Insurance Coverage Requirements	
Exhibit 4: Automatic Debit (ACH) Authorization Agreement	
Exhibit 5: Personal Guaranty	
Exhibit 6: Form of Confidentiality and Non-Competition Agreement	
Exhibit 7: Conditional Assignment of Telephone Numbers and Domain Names	
Exhibit 8: Franchisee Questionnaire	
Exhibit 9: Option Agreement	
EXHIBIT C: Area Development Agreement	
EXHIBIT D: Financial Statements of Hello Sugar Franchise, LLC	
EXHIBIT E: Operations Manual Table of Contents	
EXHIBIT F: List of Franchisees	
EXHIBIT G: State Addenda	
EXHIBIT H: Sample Form of General Release	
EXHIBIT I: State Effective Dates	
EXHIBIT J: Receipts	



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

To simplify the language in this disclosure document, the terms “Franchisor”, or “we” or “us” means Hello Sugar Franchise, LLC, the Franchisor. The terms “we”, “us” and “Franchisor” do not include you, the “Franchisee”. We refer to the purchaser(s) of a Hello Sugar franchise, as “you” or “Franchisee”, whether an individual, a partnership, corporation, or limited liability company. If you are a corporation, partnership or other entity, our Franchise Agreement also will apply to your owners, officers, and directors. If you are married and your spouse is not a partner in the franchise business, certain provisions of our Franchise Agreement will also apply to that spouse.

We were formed as a limited liability company in the State of Arizona on May 24, 2021. Our principal business address is 151 N. Centennial Way, Mesa, Arizona 85201, and our telephone number is 602-737-0406. We do business under our company name, “Hello Sugar” and its associated design (the “Mark”). We do not own or operate any businesses of the type you will be operating. We have not offered franchises in any other line of business. We currently only offer franchises which operate under the “Hello Sugar” Mark. We began offering franchises on September 15, 2021. We do not engage in any other business activities.

The principal business addresses of our agents for service of process are shown on Exhibit A.

### **Our Parents, Predecessors and Affiliates**

We have no parent or predecessor company.

We have an affiliated company, Salon Wax Supplies, LLC dba Hello Sugar Supplies (“Hello Sugar Supplies”), an Arizona limited liability company with a principal place of business at 151 N. Centennial Way, Mesa, Arizona 85201. Hello Sugar Supplies was formed on February 1, 2022. Hello Sugar Supplies operates a company selling wax, sugaring, and wax-related products to our franchisees, as well as merchandise and other items with our marks on them and is a designated vendor from which we may require you to purchase goods. Hello Sugar Supplies has not offered franchises in this or any other lines of business previously.

We have a second affiliated company, Dallas Media, LLC dba Hello Sugar Media (“Hello Sugar Media”), an Arizona limited liability company with a principal place of business at 555 N. College Avenue, #3059, Tempe, Arizona 85281. Hello Sugar Media was formed on March 24, 2017. Hello Sugar Media operates a company that provides advertising placement and management services to our franchisees, and is a designated vendor for grand opening marketing and an approved vendor for ongoing marketing. Hello Sugar Media has not offered franchises in this or any other lines of business previously.

We have a third affiliated company, Remote Work LLC dba Hello Sugar Remote (“Hello Sugar Remote”), an Arizona limited liability company with a principal place of business at 555 N. College Avenue, #3059, Tempe, Arizona 85281. Hello Sugar Remote was formed on July 25, 2023. Hello Sugar Remote provides services to franchisees such as esthetician certifications, sales training, optional training programs, and optional offsite manager services. Hello Sugar Remote has not offered franchises in this or any other lines of business previously.

### **The Franchise Offered:**

We grant franchises for the right to operate a studio that offers a variety of full body waxing and sugaring services to the general public, including choices for hair removal through waxing, sugaring, laser hair removal (optional), and other related products and services designated by us from time

to time under our then-current marks using our distinctive operating procedures and standards in a limited protected territory and from a single location (the “Franchised Business”).

The distinguishing characteristics of a Hello Sugar Franchised Business include, but are not limited to, the Hello Sugar distinctive trade dress, proprietary designs and technology, instructional methods, inventory, procedures for management, training, advertising, and promotional programs, all of which may be changed, improved or further developed by us at any time (the “System”).

We have developed two methods in our System for operating a Hello Sugar franchise: suites and flagships. A suite is a room (or multiple rooms) rented in a larger building with multiple suites occupied by other businesses in the beauty industry (“Suite”). Suites typically do not require construction buildout or tenant improvements beyond painting and installing wallpaper, cabinets, and décor. Each Suite is approximately 110 square feet. Franchisees with Suites typically do not have the option to install signage outside of the building and therefore may not receive any benefit from foot or motor vehicle traffic.

A flagship is a multi-suite location occupied solely by a Hello Sugar franchisee (“Flagship”). A Flagship can be built out to accommodate the needs of the franchisee and will often have a reception area, break room, and several treatment rooms, all for the exclusive use of the Hello Sugar franchisee. Flagships are approximately 1,200 square feet. Flagships typically have better options for exterior signage (depending on local ordinances and requirements).

If you obtain the right to develop a Flagship, you will have the option to also develop and operate a Suite while the Flagship is being developed by executing the form of option agreement attached to the Franchise Agreement as Exhibit 9 (the “Option Agreement”). You will not be required to pay any additional Initial Franchise Fee in connection with the Suite since you already paid the Initial Franchise Fee of \$50,000 for the Flagship. During the period when you are developing your Flagship location, you will operate your Suite in accordance with the Franchise Agreement and Operations Manual. Once the Flagship is ready to open, Franchisee will close the Suite and continue operations from the Flagship location. If Franchisee exercises this option, Franchisee will not be obligated to pay an additional Marketing Program Deposit or Grand Opening Marketing Fee in connection with the Suite.

If you obtain the right to develop a Suite, you may be required to upgrade the Suite to a Flagship. We will review the proposed location for the Flagship. However, typically we only award Suites to franchisees that are owner-operators with an esthetician license. Once the Flagship is ready to open, you will close the Suite and continue operations from the Flagship.

We also offer qualified individuals and entities the option to develop multiple Franchised Businesses within a defined development area (the “Development Area”) we designate in our then-current form of area development agreement (the “Development Agreement”), with the current Development Agreement attached to this Disclosure Document as Exhibit C.

Your Development Agreement will also outline a schedule or defined period of time wherein you must open and commence operating each Franchised Business (a “Development Schedule”). You will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement. You will eventually need to sign our then-current form of Franchise Agreement for each Franchised Business you develop under the Development Schedule prior to opening that Franchised Business (or other deadline set forth in the Development Schedule), which may differ materially from the current Franchise Agreement included with this Franchise Disclosure Document.

### **Market and Competition:**

The market for your Franchised Business consists of members of the general public who seek aesthetic and cosmetic services in a professional salon environment. Many of our customers tend to draw from the market segment of adult women. Our franchises are primarily located in salon suites in central city, suburban or other high traffic locations.

The market for aesthetic and cosmetic services is well-developed. You will compete with businesses, including national, regional and local businesses, offering services similar to those offered by your Franchised Business, including dermatologists, spas, salons and independent estheticians. There are other aesthetic and cosmetic services franchises, as well as independent businesses throughout the United States, that may offer similar products and services. The market for our products and services is not seasonal, but does have peak periods and may be affected by economic conditions.

### **Industry Specific Regulations:**

State, local or federal laws may require you to obtain various licenses and/or permits for the operation of your Franchised Business. Each state may differ in licensing and permit requirements for the services you will offer, and may have regulations relating to individual license requirements for your employees based on the services they provide. You must ensure that each of your estheticians have secured all licenses required in your jurisdiction. The Board of Cosmetology is the licensing body that regulates aesthetic services. You must research the requirements that apply to your specific location and to operate your Hello Sugar outlet in full compliance with all state, local and/or federal laws that apply to your Franchised Business.

You must comply with all local, state and federal laws and regulations that apply to the operation of your Franchised Business, including, among others, business operations, insurance, discrimination, employment, health, sanitation and workplace safety laws. Your advertising of the Franchised Business is regulated by the Federal Trade Commission. There may be federal, state and local laws which affect your Franchised Business in addition to those listed here.

In some states, your Franchised Business may be required to comply with laws and regulations relating to estheticians. There are also local and state agencies that regulate the provision of laser services that are deemed to be “medical” in nature. It is important that you comply with all laws and regulations in this area and that you become educated regarding laser service requirements. In some states these services can only be administered by (or must be administered under supervision by) a licensed healthcare professional. If that is the case and you are not a licensed healthcare professional authorized under state law to offer such medical products or procedures, then you must set up your Franchised Business as a business that is operated via a management business. Some of these laws and regulations may require special certification, licensing, and registration before you can begin providing laser services. You must ensure that only licensed estheticians or medical professionals (if and as applicable) perform any services for which a license or specialized training is required in your state.

You should investigate whether there are any state or local regulations or requirements that may apply in the geographic area in which you intend to conduct business. You should consider both their effect on your business and the cost of compliance. You are responsible for obtaining all licenses and permits which may be required for your business.

**ITEM 2: BUSINESS EXPERIENCE****Founder & Chief Executive Officer: Brigham Dallas**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	Founder/CEO	Scottsdale, Arizona	May 2021 to Present
Salon Wax Supplies, LLC	Founder/CEO	Scottsdale, Arizona	February 2017 to Present
Hello Sugar, LLC	Founder/CEO	Scottsdale, Arizona	February 2015 to Present
Dallas Media, LLC	Founder/CEO	Scottsdale Arizona	Jan 2010 to Present

**Co-Founder & Chief Operating Officer: Keaton Wall**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	Co-Founder/COO/CFO	Orem, UT	May 2021 to Present
Hello Sugar, LLC	CTO	Orem, UT	October 2020 to May 2021
Salon Wax Supplies, LLC	COO	Orem, UT	February 2022 to Present
Dallas Media, LLC	COO	Orem, UT	January 2022 to Present
Brigham Young University	Student	Provo, UT	April 2018 to April 2022

**Chief Technology Officer: Austin Towns**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	CTO	Atlanta, GA	January 2023 to Present
DACIA Digital Marketing	Founder	Vineyard, UT	April 2018 to July 2023
Brigham Young University	Student	Provo, UT	April 2018 to April 2022
RM Care	Technology and Innovation Specialist	Woods Cross, UT	April 2021 to January 2022

**Chief Growth Officer: Jacob Parry**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	CGO	Lehi, UT	May 2023 to Present
Brigham Young University	Adjunct Professor	Provo, UT	May 2020 to Present

Rume Health	VP of Marketing	Lehi, UT	November 2021 to May 2023
Vivint Solar	Director of Digital Marketing	Lehi, UT	May 2020 to May 2021
Vivint Smart Home	Sr. Manager of Digital Marketing	Provo, UT	July 2016 to September 2019

**Director of Franchise Sales: Ana Ferlan**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	Director of Franchise Sales	San Antonio, TX	March 2023 to Present
Hello Sugar, LLC	Esthetician Sales Trainer	Scottsdale, AZ	July 2022 – March 2023
Hello Sugar, LLC	Salon Manager	Scottsdale, AZ	August 2021 – July 2022
Benedictine University	Student	Mesa, AZ	August 2018 – May 2022

**VP of Franchise Development: John Glazier**

Employer	Title	Location	Dates
Hello Sugar Franchise, LLC	VP of Franchise Development	Mesa, AZ	July 2023 to Present
BetterUp, Inc	Marketing Operations Specialist/Sales Development	Mesa, AZ	August 2017 to July 2023

**ITEM 3: LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4: BANKRUPTCY**

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

**ITEM 5: INITIAL FEES**

**Franchise Agreement**

*Initial Franchise Fee*

We will charge you an initial franchise fee (“Initial Franchise Fee”) upon signing your Franchise Agreement.

The Initial Franchise Fee for your first Hello Sugar Suite or Hello Sugar Flagship is \$50,000.

This payment is fully earned by us and due in lump sum when you sign the Franchise Agreement. The Initial Franchise Fee is not refundable under any circumstance.

From time to time, we may offer special incentive programs as part of our franchise development activities. We reserve the right to offer, modify or withdraw any incentive program without notice to you.

*Other Amounts Payable to Franchisor or an Affiliate Prior to Opening*

Item	Amount: Flagship	Amount: Suite	To Whom Amount is Paid
One-Time Setup Fee	\$500	\$500	Affiliate
Grand Opening Marketing Fee <sup>1</sup>	\$4,500 - \$9,500	\$2,500	Affiliate
Initial Training Program Fee <sup>2</sup>	\$10,500	\$5,250	Us
Initial Inventory	\$20,745 - \$30,380	\$5,370 - \$7,000	Affiliate
Messaging Software	Approx \$109	Approx \$109	Us
Email <sup>3</sup>	\$22	\$22	Us
Business Management System	\$7,500	\$7,500	Us
Laser Equipment (Optional) <sup>4</sup>	\$2,800 - \$3,200	\$2,800 - \$3,200	Affiliate

1. You Grand Opening Marketing Fee will vary if you are opening a Flagship and will depend upon certain factors such as (i) size of your Territory, (ii) market penetration, and (iii) brand recognition.

2. If you elect to open a Suite prior to developing your flagship, you will be required to pay the Initial Training Program Fee for the Flagship in addition to the Amount you paid for the Suite, unless you have your own Certified Trainer.

3. Approximately three (3) months before opening, you will be required to obtain an email address, which is currently \$7.20 per month, or approximately \$22 prior to opening.

4. This is the approximate amount that is paid to our Affiliate prior to opening.

Development Agreement

*Development Fee*

If you wish to obtain the right to open and operate multiple Franchised Businesses under our Development Agreement, you must us a one-time Development Fee upon execution of the Area Development Agreement (the "Development Fee").

Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area, and is calculated as follows:

Number of Franchised Businesses	Development Fee
1	\$50,000
2	\$95,000
3	\$135,000
4	\$175,000
Each Additional Franchised Business	\$43,750

You will be required to enter into our then-current form of franchise agreement for each Franchised Business you wish to open under your Area Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these franchise agreements.

You will execute a Franchise Agreement to govern the initial Franchised Business you commit to develop within your Development Area at the same time you sign your Development Agreement. Your Development Fee will be deemed fully earned and is not refundable under any circumstances.

All of the fees in this Item 5 are uniform and nonrefundable under any circumstance.

**ITEM 6:      OTHER FEES**

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	6% of monthly Gross Revenue.	Monthly via ACH on the 10 <sup>th</sup> day for the immediately preceding month.	Payable to us. See footnote 1.
Required Minimum Expenditure for Local Marketing and Advertising	Not less than \$350 per month.  If you use our affiliate to provide these services, our affiliate currently charges a flat fee of \$7.50 per completed appointment.	As incurred.	All advertising must be pre-approved. See footnote 2.
Email and Text Remarketing	The then-current amount, which is currently, \$3.50 per completed appointment, plus \$60 per location per month.  This fee will not increase by more than 20% each year.	As incurred.	Payable to our affiliate.
Reception Fee	Flat fee of \$3.25 per serviced appointment in a month (the "Reception Fee").  The Reception Fee will not exceed 10% of the price of the current non-member Brazilian female wax.	Monthly via ACH on the 10 <sup>th</sup> day for the immediately preceding month.	Payable to us. Includes all reception needs handled through texts including costs to run essential software for scheduling, scheduling, rescheduling, cancellations, escalation to a manager. If a phone call is needed, we will direct this to the appropriate person in charge.

Type of Fee	Amount	Due Date	Remarks
Recertification Fee	<p>The then-current fee, which is currently \$45 per graded recertification video.</p> <p>Typically, two videos are submitted for a total of \$90.</p>	As incurred	<p>Payable to us or our affiliate. The Initial Training Program Fee includes \$90 of initial certification costs per esthetician. Each esthetician needs to recertify each year if they want to become a trainer. This fee will not increase by more than 50%.</p>
Software Fees	<p>We collect the following fees on behalf of third-party suppliers:</p> <ol style="list-style-type: none"> <li>1. Messaging Software (currently, \$108.05 per license per month);</li> <li>2. Email &amp; Storage Software (currently, \$7.20 per license per month); and</li> <li>3. Television Management Software (currently, \$4.50 per Television per month). Typically, Suites feature 1-2 televisions while Flagships feature 1 television.</li> </ol> <p>Each of these fees are subject to change based on the current rate charged by the current supplier.</p>	Monthly via ACH on the 10 <sup>th</sup> day of the month.	Payable to us.
Brand Fund	Currently not assessed	Monthly via ACH on the 10 <sup>th</sup> day of the month.	Once established, up to two percent (2%) of monthly Gross Revenue.



Type of Fee	Amount	Due Date	Remarks
Advertising Cooperative	Currently not assessed.  Maximum of 2% of Gross Revenue.	As determined by cooperative.	No cooperatives have been established as of the date of this Disclosure Document. You are required to join an advertising cooperative if one is formed. Cooperatives will be comprised of all franchised outlets in a designated geographic area. Any affiliate-owned outlets may participate in an advertising cooperative, in our sole discretion.
Technology Fee	Currently \$45 per month, subject to increase.  The Technology Fee will not cost more than \$150 per month.	Monthly via ACH on the 10 <sup>th</sup> day of each month.	Payable to us for new or improved technology for the benefit of the System. This may include software and/or maintenance fees, web portal access, email marketing, or other operations or communications systems.  In addition to this Technology Fee, you are also required to pay us a one-time Business Management System fee of \$7,500.  We may increase the fee based on supplier pricing increases, introduction of new technology and/or changes in vendors.
Website Popup Fee	10% of the revenue value per booked appointment.	Monthly.	Payable to Hello Sugar Media.  This fee is for a website widget designed to target customer's engagement with the website.
Training Fee	\$5,250 for a Suite and \$10,500 for a Flagship.	Prior to attending training	Payable to us
Additional Training	Currently, we do not charge a fee to attend any additional training programs; however, you must pay all travel and related expenses incurred by you and your personnel to attend training.	As incurred.	See footnote 3. The maximum amount we will charge in connection with Additional Training is \$10,500 per year.

Type of Fee	Amount	Due Date	Remarks
Membership Conversion Rate ("MCR") Coaching Program	\$200 per esthetician.	Prior to attending training	This is an optional training program by our affiliate Hello Sugar Remote.
Interim Management Support Fee	Our then-current per diem rate for on-site management, plus expenses. Our current rate is 20% of Gross Revenue in the event we choose to operate your franchise.	As incurred.	We may impose this fee (in addition to all regularly occurring fees such as the Royalty Fee. This fee will not increase to more than 25% of Gross Revenue. See footnote 4.
Renewal Fee	\$2,500	Upon signing the then-current form franchise agreement.	Payable to us. See Item 17.
Transfer Fee	Transfer to an existing owner - \$1,000 plus any broker or other third-party fees.  Transfer to a new owner - \$5,000 plus any broker or other third-party fees	At the time of transfer.	Payable to us. This fee is subject to state law. See Item 17.
Relocation Fee	\$500, plus our expenses and expenses incurred in approving your relocation.	As incurred.	Payable to us.
Examination of Books and Records	Costs of examination plus expenses.	As incurred.	We have the right under the Franchise Agreement to examine your books, records and tax returns. If an examination reveals that you have understated any Gross Revenue report by 2% or more, you must reimburse us our costs to obtain such examination by a third party, along with the underpayment of the Royalty Fee.

Type of Fee	Amount	Due Date	Remarks
Late Reporting Fee	\$200 per incident	As incurred	If you fail to submit your Gross Revenue Report to us on time or your Gross Revenue Report is inaccurate.
Testing or Supplier Approval Fee	Our costs and expenses of inspection and testing of a proposed item or vendor.	As incurred.	Payable to us.
Audit and Quality Review Services	Actual costs	As incurred.	Payable to third-party providers. See footnote 5.
Offsite Manager Fee	The then-current amount, which is currently \$14.08 per hour.  This service is optional.	As incurred	Our affiliate, Hello Sugar Remove, provides offsite managerial services such as inventory and other remote tasks (the “Offsite Manager”).
Construction Management and Oversight Review Fee	\$250 per hour	As incurred	If you do not use our Approved or Designated Supplier, then you will be required to pay us the Construction Management and Oversight Review Fee of \$250/hour for our review of your plans.
Inspection Fee	Currently, up to \$300 per failed inspection.	Immediately after notice from us.	We will have someone conduct an inspection of your salon on a periodic basis, no more than annually. If you fail the inspection based on our criteria, we will re-inspect within 120 days and you will be required to pay this fee to cover our costs of re- inspection. If you pass the inspection, you will not incur this cost. This fee will not increase to more than \$1,000 per failed inspection.

Type of Fee	Amount	Due Date	Remarks
Non-Compliance Fee	\$250 per failure to comply with any terms of the Franchise Agreement or the Operations Manual.	As incurred.	Payable to us.
Insurance Reimbursement	Amounts paid by us for your insurance obligations, plus a \$100 administrative fee and our legal fees, if any.	As incurred.	You must reimburse us for any insurance costs and other fees we incur due to your failure to meet the insurance obligations required by the Franchise Agreement.
Indemnification	Amount of loss or damages plus our costs and expenses.	As incurred.	See footnote 6.
Reimbursement of Costs and Expenses for Non-Compliance	Actual costs and expenses.	As incurred.	See footnote 7.
Reimbursement of Legal Fees and Expenses	Our costs and expenses, including but not limited to attorneys' fees, incurred for your failure to pay amounts when due or failure to comply in any way with the Franchise Agreement.	As incurred.	Payable to us.
Interest Charge	18% per annum from due date, or maximum allowed by law.	As incurred.	If you fail to pay us any amount when due, we may charge you interest on the unpaid balance until the payment is received.
Late Fee	\$50	As incurred.	If you fail to pay to us the Royalty Fee or any other fee, or if you fail to submit your Gross Revenue report when due, we may charge you \$50 for each late submission in addition to interest charges explained above.

Type of Fee	Amount	Due Date	Remarks
Non-Sufficient Funds Fee	\$100 per occurrence.	As incurred.	If your check is returned or an electronic funds transfer from your bank account is denied for insufficient funds, for each occurrence we may charge you as Insufficient Funds Fee.
Taxes	Amount of taxes.	As incurred.	You must reimburse us for any taxes that we must pay to any taxing authority on account of the operation of your Franchised Business. However, you are not obligated for paying taxes required by law to be collected by us from you for purchases made from us and any income taxes owed by us.
Post-Termination or Post-Expiration Expenses	Costs and expenses.	As incurred.	Payable to us.
Customer Dispute Resolution Fee	Up to \$500, plus the amount we refund to a customer on your behalf.	As incurred.	You must pay us this fee if we are involved in resolving a dispute between you and a customer. You must also repay us any amount we refund to your customers.

### **Notes:**

All fees and expenses described in this Item 6 are nonrefundable and are uniformly imposed. Except as otherwise indicated in the preceding chart, we impose all fees and expenses listed and you must pay them to us.

<sup>1</sup> "Gross Revenue" includes all sales of every kind and nature at or from your Franchised Business location or made pursuant to the rights granted to you by the Franchise Agreement, regardless of whether you have collected the amount of the sales. "Gross Revenue" does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e., coupons), and (iv) tips collected by the Franchised Business and remitted to your esthetician(s). Gross Revenue does not include gift card purchases at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card. If you do not report revenues for any week, then we will collect 120% of the last Royalty Fee collected and settle the balance the next period in which you report revenue. You are required to set up authorization at your bank to allow us to electronically transfer funds from your bank account to our bank account. Interest and late fees will apply to any late payments or electronic funds transfer requests denied to insufficient funds.

You are required to grant us access to your QuickBooks online account. You are required to have your books updated on or before the fifth (5<sup>th</sup>) day of the month following the close of each calendar month.

You are required to submit to us on or before the fifth (5<sup>th</sup>) day of the month following the close of each calendar month, a report showing your Gross Revenue from the Franchised Business for the prior month (the "Gross Revenue Report"). The Gross Revenue Report can take any form that reasonably communicates Gross Revenue.

<sup>2</sup> Upon our request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter. You may not use social media platforms, such as Facebook, Twitter, Instagram, LinkedIn, Google, blogs and other networking and sharing websites, unless you first receive our written approval to do so, and such use is in strict accordance with our requirements. Alternatively, you may, and we recommend that you do, participate in our Social Media Marketing Program, through which our affiliate, Hello Sugar Media, will create, purchase and place local digital advertising on your behalf to promote your Hello Sugar Franchised Business in your local market for a monthly fee. If you elect to have our affiliate provide these services, you will be required to pay \$7.50 per completed appointment to Hello Sugar Media on or before the 10<sup>th</sup> day of each calendar month for anticipated media purchasing that month for social media marketing placement. Hello Sugar Media will track amounts spent on social media marketing placement, and at the end of each month, will reconcile the amount spent against your prepayment. You will be required to pay to Hello Sugar Media any amounts based on media purchasing above the prepaid amount for any month on the subsequent month's prepayment invoice. If you fail to spend the minimum required monthly advertising expenditure, we reserve the right to require you to participate in the Social Media Marketing Program.

<sup>3</sup> We may offer mandatory and/or optional training programs, including an annual business meeting or convention or recertification training programs, from time to time. We may also impose this fee if you elect to provide additional optional services that we determine may require advanced training in order to permit you to provide such services. If we require it, you must participate in additional training programs, at a location we designate. We reserve the right to impose a reasonable fee for all additional training programs, including the national business meeting or annual convention, or any recertification training programs. Currently, we charge \$50 per trainer per hour for all additional training programs completed at our headquarters, or \$500 per trainer per day for all additional training programs completed elsewhere. You are responsible for any and all incidental expenses incurred by you and your personnel in connection with additional training or attendance at Franchisor's national business meeting or annual convention, or any recertification training program, including without limitation, costs of travel, lodging, meals and wages.

<sup>4</sup> In the event of your death or disability, your default of the Franchise Agreement, absence of a qualified General Manager, or for other reasons that jeopardize the brand, we may provide interim on-site management of your Franchised Business.

<sup>5</sup> We reserve the right in the Franchise Agreement to establish quality assurance programs conducted by third-party providers, such as, by way of example only, mystery shop programs and periodic quality audits, to monitor the operations of your Franchised Business. If we require it, you must subscribe and pay the fees for any such program. If you receive an unsatisfactory review, you will undergo additional shops at your expense until your Hello Sugar outlet receives a satisfactory review.

<sup>6</sup> You must indemnify and hold us, our affiliates, and all of our respective officers, directors, agents and employees harmless from and against any and all claims, losses, costs, expenses, liability and damages arising directly or indirectly from, as a result of, or in connection with your business

operations under the Franchise agreement, as well as the costs, including attorneys' fees, of defending against them.

<sup>7</sup> If you fail to do so, in our sole discretion, we may correct any deficiency in the Franchised Business and/or your operation of the Franchised Business or take steps to modify, alter or de-identify the Franchised Business location upon the termination or expiration of the Franchise Agreement. You will reimburse us for our costs and expenses incurred to correct any deficiency or to modify, alter or de-identify the Franchised Business location.

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**ITEM 7: ESTIMATED INITIAL INVESTMENT****A. Franchise Agreement****YOUR ESTIMATED INITIAL INVESTMENT – FLAGSHIP**

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee <sup>1</sup>	\$50,000	\$50,000	Lump sum payment in cash or available funds.	Upon signing the Franchise Agreement	Us
Furniture, Fixtures and Equipment <sup>2</sup>	\$56,065	\$75,414	As Arranged	Before beginning operations	Suppliers
Laser Equipment (Optional) <sup>3</sup>	\$0	\$6,000	As Arranged	As incurred	Affiliate; Suppliers
Build-Out Costs <sup>4</sup>	\$56,163	\$245,525	As Arranged	Before beginning operations	Contractors
Miscellaneous <sup>5</sup>	\$1,064	\$7,245	As Arranged	Before beginning operations	Varies
Contractor <sup>6</sup>	\$13,826	\$43,032	As Arranged	Before beginning operations	Contractors
Initial Inventory <sup>7</sup>	\$23,883	\$34,834	As required by us or suppliers	Before beginning operations	Suppliers; Hello Sugar Supplies, LLC.
Rent <sup>8</sup>	\$8,000	\$27,000	As required by landlord	As required by landlord	Landlord
Software Fees (3 Months) <sup>9</sup>	\$2,260	\$3,800	As Arranged	10 <sup>th</sup> of the month	Us
Grand Opening Advertising <sup>10</sup>	\$5,000	\$10,000	Lump sum	Upon signing lease for your Franchised Business.	Hello Sugar Media; Suppliers
Insurance <sup>11</sup>	\$1,400	\$7,000	As required by insurer	Before opening	Insurer
Training Expenses <sup>12</sup>	\$13,200	\$15,000	As arranged	Training fee payable prior to attending training.	Us, Hello Sugar Remote, and Trainees



Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
				Other expenses payable as needed	
Building Signage <sup>13</sup>	\$6,500	\$8,500	As Arranged	Prior to Opening	Approved Suppliers
Professional Fees	\$1,500	\$4,000	As Incurred	As Incurred	Lawyers, Accountants, etc.
Business Management System <sup>14</sup>	\$7,500	\$7,500	Lump sum	Upon signing Franchise Agreement	Us
Construction Management <sup>15</sup>	\$0	\$15,000	As Incurred	Before Opening	Third parties
Design/Architecture /Engineering <sup>16</sup>	\$8,000	\$15,000	As Incurred	Before Opening	Third parties
Permit Management <sup>17</sup>	\$0	\$4,000	As Incurred	Before Opening	Third parties
Site Survey <sup>18</sup>	\$0	\$6,000	As Incurred	Before Opening	Third parties
Additional Funds (3 Months) <sup>19</sup>	\$15,000	\$30,000	As Arranged	As needed	Various
<b>TOTAL</b>	<b>\$269,361 - \$614,850</b>				

**Notes:**

<sup>1</sup> **Initial Franchise Fee.** The amount stated in this Table is for one Flagship Franchised Business operated pursuant to a single Franchise Agreement.

<sup>2</sup> **Furniture, Fixtures, and Equipment.** This estimate includes the cost of purchasing the Design Package, which consists of the design, fixtures, wall coverings, window coverings, window clings, layout specifications and other décor. This item also includes additional items outside of the Design Package such as a salon table, cabinets, sink, desk chair, reception office chairs, seating area chairs, chandeliers, storage cabinets, refrigerator, microwave, shelves, lighting, and an iPad.

<sup>3</sup> **Laser Equipment (Optional).** The low end of this range assumes that you elect not to offer laser hair removal services and otherwise will not obtain the laser equipment. The high end of this amount represents payments that you will make during the first three months of operation and assumes that you will finance the equipment. When calculating the payments, we assume that you will finance the purchase of the equipment over a 5-year term with interest rates ranging from 11% - 19%. Our standard offering does not anticipate purchasing the equipment without financing it. However, if you choose to purchase the equipment, rather than finance it, the equipment (plus training) costs approximately \$50,000.

<sup>4</sup> **Build-Out Costs.** Build-Out Costs include the amounts paid certain contractors to build-out the Flagship Franchised Business, including plumbing, millwork, flooring, electrical, HVAC, fire & sprinklers, demolition and paint. The low end of this range assumes that you will receive tenant

improvement from your landlord in the amount of \$16 per square foot (in a 1,200 square foot space). The high end of this range assumes that you will not receive any tenant improvement allowance from your landlord.

<sup>5</sup> **Miscellaneous.** This estimate is for the cost of miscellaneous items and expenses such as any licenses, change orders, permits, supplies, etc.

<sup>6</sup> **Contractor.** This estimate is for general contractor fees which are typically 10% - 12% of the total build-out cost (excluding inventory, software, etc.).

<sup>7</sup> **Initial Inventory.** This estimate is for the cost of the initial inventory sufficient for the first three months of operation. Your initial inventory will include body waxes and supplies for both providing services and for retail sale, and will include waxes, applicators, gloves, linens and other supplies and products utilized in the operation of your Franchised Business. This amount may last for a shorter period of time depending on the efficiency of your estheticians.

<sup>8</sup> **Rent.** This range is intended to cover the costs you will incur in connection with the lease for your approved Premises (the "Lease") over your initial period of operations, including: (i) a security deposit amounting to one (1) month of rent; and (ii) the rent and other payments you will incur in connection with that Lease over the first 3 months after the Rent Commencement Date under that Lease. This estimated range assumes and expects that your Premises will be between 1,200 and 1,600 square feet. Flagships are typically located in retail or commercial spaces within shopping centers, strip malls, or stand-alone buildings. This estimate is based on the experience of our affiliates that have opened and operated System Businesses utilizing the Proprietary Marks and System.

<sup>9</sup> **Software Fees (3 Months).** The current monthly fees include the following: Booking Software (\$290), Review Software (\$30-\$45), Accounting Software (\$170-\$210), Messaging Software (\$108.05), UpSellIt (\$5 - \$30), TV Management Software (\$4.50 - \$36), Remote Bookkeeping and Payroll Services (\$50 to \$300), Internet (\$50-\$200), and the Technology Fee (\$45). We require you to purchase computer systems and software meeting our minimum specifications for use at your Franchised Business. This estimate includes the ongoing monthly costs of our current required software programs. You must also have internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. We reserve the right to change your requirements for computer hardware and software at any time. Please see Item 11 for computer system requirements.

<sup>10</sup> **Grand Opening Advertising.** If you elect to have Hello Sugar Media conduct your Grand Opening Marketing, upon execution of the lease for your Franchised Business, you will be required to pay to our affiliate, Hello Sugar Media, a non-refundable one-time setup fee of Five Hundred Dollars (\$500.00) as well as a grand opening marketing fee ranging from Four Thousand Five Hundred Dollars (\$4,500.00) to Nine Thousand Five Hundred Dollars (\$9,500) to provide opening advertising and promotional activities prior to and during the two (2) months immediately following the opening of your Franchised Business. You may elect to spend additional amounts to conduct a larger, more elaborate grand opening marketing activities.

<sup>11</sup> **Insurance.** Before you open for business, you must purchase and maintain, at your sole cost and expense, the insurance coverage that we specify. The low end of this estimate assumes your insurance premiums will be paid quarterly and includes the first quarterly premium payment. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement.

The current minimum insurance requirements are:

- **General Liability** - General Liability Insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000 personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, contractual and independent contractors' liability, no exclusion for assault & battery and be occurrence-based. An A- VII or higher AM Best-rated admitted carrier. Stop-gap coverage is required for applicable monopolistic states.
- **Professional Liability** - Professional Liability Insurance with minimum coverage limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. If you elect to offer laser hair services, then you must obtain \$3,000,000 in the aggregate.
- **Workers Compensation** - All forms, types, and amounts of Workers' Compensation Coverage required by federal or state law. Workers' Compensation Insurance with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation. The insurance carrier must be rated A- VII or higher by AM Best to ensure financial stability and reliability.
- **Property / Business Interruption** - Related to Flagship Studios only: Property insurance with coverage for business personal property ( $\geq$  \$20,000 full replacement cost value), tenant improvements ( $\geq$  \$125,000 full replacement cost value), business interruption (12 Months ALS), including franchisor royalties. The insurance carrier must be rated A- VII or higher by AM Best.
- **Employment Practices Liability** - Related to Suite Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.
- **Medical Expenses (Laser Hair Only)** - \$5,000 for each incident.
- **License Action Reimbursement (Laser Hair Only)** - \$15,000.

We also recommend the following coverages:

- **Crime** - Crime insurance with minimum coverage limits of \$25,000 for each claim, including third-party coverage on a loss-discovered form.
- **Cyber Liability** - Cyber Liability Insurance with minimum coverage limits of \$100,000 per occurrence and \$100,000 aggregate.
- **Sexual Abuse and Molestation** - Sexual Abuse and Molestation Insurance with minimum limits of \$100,000 per occurrence and \$300,000 aggregate.
- **Franchisee Commercial Auto** - Commercial Auto Insurance with a \$1,000,000 combined single limit, covering hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/non-contributory provisions, provided by an A- VII or higher AM Best-rated carrier.

<sup>12</sup> **Training Expenses.** This estimate includes our \$10,500 Training Fee along with the costs to compensate your personnel during training.

<sup>13</sup> **Building Signage.** This estimate assumes that you will purchase one illuminated exterior sign for your Franchised Business as well as window cling signage from a supplier.

<sup>14</sup> **Business Management System.** This range is to cover the fee that we charge to help defray the costs and expenses associated with initially integrating you and your Franchised Business in

connection with the current technology services, including certain software, that we provide as part of our System-associated platform covered by our current Technology Fee.

<sup>15</sup> **Construction Management.** If you secure a Premises for the Franchised Business that already meet our standards and specifications for an approved Premises, then your Construction Management costs may be \$0.

<sup>16</sup> **Design, Architecture, and Engineering.** This range is designated to cover the costs associated with engaging our Approved or Designated Supplier to prepare and provide you with design and architectural services associated with the construction and/or buildout for your approved Premises in accordance with our current System standards and specifications. Currently, this fee must be paid to our third-party Approved Supplier. If you do not use our Approved or Designated Supplier, then you will be required to pay us the Construction Management and Oversight Review Fee of \$250/hour for our review of your plans.

<sup>17</sup> **Permit Management.** This range is intended to cover the costs you may incur in the event you require additional permit-related services from our approved vendor, including management of the permitting process, and if available expedited permitting services. The low end of this estimate assumes that you will not require such services prior to and during the initial period of operations of your Franchised Business.

<sup>18</sup> **Site Survey.** This range is intended to cover the costs you may incur in the event that the site and/or premises from which you propose to operate the Franchised Business requires additional inspection and/or surveying in connection with preparing the proposed site/premises to service as the site/premises of your Franchised Business. The low end of this estimate assumes that the site/premises you propose will not require any additional site survey services.

<sup>19</sup> **Additional Funds.** This is an estimate of the amount of additional funds that you may need to operate your Franchised Business. This estimate includes such items as internet service, initial payroll and payroll taxes, technology fees, local advertising expenses, Royalty Fees, third-party fees, repairs and maintenance, bank charges, initial staff recruiting expenses, and other miscellaneous items.

We relied upon (i) the experience of our affiliate-owned Hello Sugar businesses, (ii) the experience of our franchises operating Hello Sugar businesses, and (iii) estimates provided to us from suppliers to compile these estimates.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

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## YOUR ESTIMATED INITIAL INVESTMENT – SUITE

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee <sup>1</sup>	\$50,000	\$50,000	Lump sum payment in cash or available funds.	Upon signing the Franchise Agreement.	Us
Training Expenses <sup>2</sup>	\$6,600	\$7,000	Training fee payable in lump sum. Other estimates payable as arranged.	Training fee payable prior to attending training. Other expenses payable as needed.	Us, Hello Sugar Remote, and Trainees
Rent (3 months) <sup>3</sup>	\$1,950	\$6,000	As required by landlord.	As required by landlord.	Landlord.
Furniture, Fixtures, & Equipment <sup>4</sup>	\$6,161	\$7,497	As required by supplier, contractor or landlord.	Before opening, as required by suppliers.	Suppliers.
Laser Equipment (Optional) <sup>5</sup>	\$0	\$6,000	As required by supplier, contractor or landlord.	Before opening, as required by suppliers.	Affiliate; Suppliers.
Software Fees (3 months) <sup>6</sup>	\$2,260	\$3,800	As required by suppliers.	Monthly.	Us and Suppliers.
Initial Inventory <sup>7</sup>	\$6,469	\$7,027	As required by us or suppliers.	Before opening.	Suppliers; Hello Sugar Supplies.
Grand Opening Advertising <sup>8</sup>	\$3,000	\$3,000	Lump sum.	Upon signing lease for your	Hello Sugar Media; Suppliers

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is Made
				Franchised Business.	
Insurance <sup>9</sup>	\$500	\$2,500	As required by insurer.	Before opening.	Insurer.
Professional Fees	\$1,500	\$4,000	As Incurred	As Incurred	Lawyers, Accountants, Etc.
Business Management System <sup>10</sup>	\$7,500	\$7,500	As Incurred	Upon signing Franchise Agreement	Us
Additional Funds (3 Months) <sup>11</sup>	\$10,000	\$15,000	As arranged.	As needed.	Various.
<b>TOTAL</b>	<b>\$95,940 - \$119,324</b>				

**Notes:**

<sup>1</sup> **Initial Franchise Fee.** The amount stated in this Table is for one Suite Franchised Business operated pursuant to a single Franchise Agreement.

<sup>2</sup> **Training Expenses.** This estimate includes our \$5,250 Training Fee along with the costs to compensate your personnel during training.

<sup>3</sup> **Rent (3 Months).** This estimate represents a one (1) week deposit and three (3) months of rent payments for an eleven (11) feet by ten (10) feet room in a salon suite and estimates a minimum rent of approximately \$200 to \$325 per week. This estimate assumes that your Premises will be approximately 110 square feet. Suites are typically located in salon studio buildings. This estimate is based on the experience of our affiliate-owned outlets. You may also incur real estate broker fees, additional pre-payments, common area maintenance (CAM) fees, real estate taxes and insurance costs, advertising or promotional fund fees or other costs, depending on the terms of your lease, which is included in this estimate. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract.

<sup>4</sup> **Furniture, Fixtures, and Equipment.** This estimate includes the cost of purchasing the Design Package, which consists of the design, fixtures, wall coverings, window coverings, window clings, layout specifications and other décor. This item also includes additional items outside of the Design Package such as a salon table, cabinets, sink, desk chair, reception office chairs, seating area chairs, chandeliers, storage cabinets, refrigerator, microwave, shelves, lighting, and an iPad.

<sup>5</sup> **Laser Equipment (Optional).** The low end of this range assumes that you elect not to offer laser hair removal services and otherwise will not obtain the laser equipment. The high end of this amount represents payments that you will make during the first three months of operation and assumes that you will finance the equipment. When calculating the payments, we assume that you will finance the purchase of the equipment over a 5-year term with interest rates ranging from 11% - 19%. Our standard offering does not anticipate purchasing the equipment without financing it. However, if you choose to purchase the equipment, rather than finance it, the equipment (plus training) costs approximately \$50,000.

<sup>6</sup> **Software Fees (3 Months).** The current monthly fees include the following: Booking Software (\$290), Review Software (\$30-\$45), Accounting Software (\$170-\$210), Messaging Software (\$108.05), UpSellIt (\$5 - \$30), TV Management Software (\$4.50 - \$36), Remote Bookkeeping and Payroll Services (\$50 to \$300), Internet (\$50-\$200), and the Technology Fee (\$45). We require you to purchase computer systems and software meeting our minimum specifications for use at your Franchised Business. This estimate includes the ongoing monthly costs of our current required software programs. You must also have internet and other telecommunications equipment and services in accordance with our standards to permit electronic transmission of sales information. We reserve the right to change your requirements for computer hardware and software at any time. Please see Item 11 for computer system requirements.

<sup>7</sup> **Initial Inventory.** This estimate is for the cost of the initial inventory sufficient for the first three months of operation. Your initial inventory will include body waxes and supplies for both providing services and for retail sale, and will include waxes, applicators, gloves, linens and other supplies and products utilized in the operation of your Franchised Business. This amount may last for a shorter period of time depending on the efficiency of your estheticians.

<sup>8</sup> **Grand Opening Advertising.** If you elect to have Hello Sugar Media conduct your Grand Opening Marketing, upon execution of the lease for your Franchised Business, you will be required to pay to our affiliate, Hello Sugar Media, a non-refundable one-time setup fee of Five Hundred Dollars (\$500.00) as well as a grand opening marketing fee of Two Thousand Five Hundred Dollars (\$2,500.00) to provide opening advertising and promotional activities prior to and during the two (2) months immediately following the opening of your Franchised Business. You may elect to expend additional amounts to conduct larger, more elaborate grand opening marketing activities.

<sup>9</sup> **Insurance.** Before you open for business, you must purchase and maintain, at your sole cost and expense, the insurance coverage that we specify. The low end of this estimate assumes your insurance premiums will be paid quarterly, and includes the first quarterly premium payment. We reserve the right to require additional types of insurance and coverage as provided in the Franchise Agreement. The current minimum insurance requirements are:

- **General Liability** - General Liability Insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000 personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, contractual and independent contractors' liability, no exclusion for assault & battery and be occurrence-based. An A- VII or higher AM Best-rated admitted carrier. Stop-gap coverage is required for applicable monopolistic states.
- **Professional Liability** - Professional Liability Insurance with minimum coverage limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. If you elect to offer laser hair services, then you must obtain \$3,000,000 in the aggregate.
- **Franchisee Commercial Auto** - Commercial Auto Insurance with a \$1,000,000 combined single limit, covering hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/non-contributory provisions, provided by an A- VII or higher AM Best-rated carrier.
- **Workers Compensation** - All forms, types, and amounts of Workers' Compensation Coverage required by federal or state law. Workers' Compensation Insurance with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation. The insurance carrier must be rated A- VII or higher by AM Best to ensure financial stability and reliability.

- **Property / Business Interruption** - Related to Flagship Studios only: Property insurance with coverage for business personal property (≥ \$20,000 full replacement cost value), tenant improvements (≥ \$125,000 full replacement cost value), business interruption (12 Months ALS), including franchisor royalties. The insurance carrier must be rated A- VII or higher by AM Best.
- **Medical Expenses (Laser Hair Only)** - \$5,000 for each incident.
- **License Action Reimbursement (Laser Hair Only)** - \$15,000.

We also recommend the following coverages:

- **Employment Practices Liability** - Related to Suite Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.
- **Crime** - Crime insurance with minimum coverage limits of \$25,000 for each claim, including third-party coverage on a loss-discovered form.
- **Cyber Liability** - Cyber Liability Insurance with minimum coverage limits of \$100,000 per occurrence and \$100,000 aggregate.
- **Sexual Abuse and Molestation** - Sexual Abuse and Molestation Insurance with minimum limits of \$100,000 per occurrence and \$300,000 aggregate.

<sup>10</sup> **Business Management System.** This range is to cover the fee that we charge to help defray the costs and expenses associated with initially integrating you and your Franchised Business in connection with the current technology services, including certain software, that we provide as part of our System-associated platform covered by our current Technology Fee.

<sup>10</sup> **Additional Funds.** This is an estimate of the amount of additional funds that you may need to operate your Franchised Business. This estimate includes such items as internet service, initial payroll and payroll taxes, technology fees, third-party fees, local advertising expenses, Royalty Fees, repairs and maintenance, bank charges, initial staff recruiting expenses, and other miscellaneous items.

We relied upon (i) the experience of our affiliate-owned Hello Sugar businesses, (ii) the experience of our franchises operating Hello Sugar businesses, and (iii) estimates provided to us from suppliers to compile these estimates.

We do not offer financing for any part of the initial investment.

All fees and payments are non-refundable, unless otherwise stated or permitted by the payee.

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**B. Option to Open Suite Before Flagship is Being Developed**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	TIME OF PAYMENT	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee (Note 1)	\$50,000	Lump Sum	Upon execution of the Franchise Agreement	Us
Initial Investment to Open Initial Hello Sugar Suite (Note 2)	\$45,940 - \$69,324	See Item 7, Chart A (Suite)		
Initial Investment to Open Initial Hello Sugar Flagship (Note 2)	\$219,361 - \$564,850	See Item 7, Chart A (Flagship)		
<b>Total</b>	<b>\$304,801 - \$673,674</b>	This is the total estimated initial investment to enter into a Franchise Agreement for the right to develop a Flagship while exercising the option to temporarily operate a Suite before the Flagship is being developed. This amount subtracts out (i) \$7,500 from the low and high end since you are only obligated to pay the Business Management System Fee once, and (ii) \$3,000 from the low and high end since you are only obligated to spend the Grand Opening Marketing Fee once.		

**Notes:**

Generally. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Franchise Agreement for a Flagship and exercising your option to develop and operate a Suite before the Flagship is being developed.

<sup>1</sup> Initial Franchise Fee. The Initial Franchise Fee is described in greater detail in Item 5 of this Franchise Disclosure Document. You are not required to pay any additional Initial Franchise Fee to exercise your option to develop and operate a Suite before the Flagship is being developed.

<sup>2</sup> These figures represent the total estimated initial investment required to open the initial Hello Sugar Suite and Hello Sugar Flagship under the Franchise Agreement. The range includes all of the items in Chart 7(A), except for the \$50,000 Initial Franchise Fee because the Initial Franchise Fee is included separately in this Table and you are only required to pay it once.

**C. Development Agreement**

TYPE OF EXPENDITURE	OFFERING	AMOUNT	METHOD OF PAYMENT	TIME OF PAYMENT	TO WHOM PAYMENT IS TO BE MADE
Development Fee (Note 1)	2 Franchised Businesses	\$95,000	Lump Sum	Upon execution of the Development Agreement and Prior to Opening	Us
	3 Franchised Businesses	\$135,000			
	4 Franchised Businesses	\$175,000			
Initial Investment to Open Initial Hello Sugar Suite (Note 2)		\$45,940 - \$69,324	See Item 7, Chart A (Suite)		
Initial Investment to Open Initial Hello Sugar Flagship (Note 2)		\$219,361 - \$564,850	See Item 7, Chart A (Flagship)		
Total (Note 3)	2 Suites	\$140,940 – \$164,324	This is the total estimated initial investment to enter into a Development Agreement for the right to develop each of the multi-unit offerings we typically offer under a Development Agreement, as well as the costs to open and commence operating your initial Franchised Business for the first three (3) months.		
	3 Suites	\$180,940 - \$204,324			
	4 Suites	\$220,940 – \$244,324			
	2 Flagships	\$314,361 – \$659,850			
	3 Flagships	\$354,361 – \$699,850			
	4 Flagships	\$394,361 - \$739,850			

**Notes:**

Generally. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate between two (2) and four (4) Hello Sugar Suites and Flagships, as well as the initial investment to open your first Hello Sugar Suite or Flagship. You will be required to execute a Franchise Agreement for each of the Hello Sugar businesses you are granted as part of your development obligations, as well as the form of Development Agreement.

<sup>1</sup> Development Fee. The Development Fee is described in greater detail in Item 5 of this Franchise Disclosure Document. Your Development Fee will vary depending on how many businesses you purchase the right to develop as well as whether you develop Flagships or Suites.

<sup>2</sup> These figures represent the total estimated initial investment required to open the initial Hello Sugar Suite and Hello Sugar Flagship under the Development Agreement. The range includes all of the items in Chart 7(A), except for the \$50,000 Initial Franchise Fee because, upon payment of the Development Fee, you will not be required to pay any Initial Franchise Fee in connection with your Franchised Businesses.

<sup>3</sup> Please note that these rows do not include the initial investment you will need to undertake in connection with opening your second and any other additional Franchised Businesses you are granted the right to develop under your Development Agreement.

## **ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

We have identified various suppliers, distributors and manufacturers of equipment, inventory, and services that your Franchised Business must use or provide which meets our standards and requirements. You must purchase all equipment, fixtures, products, construction management services, supplies, retail items furnishings, décor, uniforms, marketing materials, marketing services, inventory, supplies and services, including computer systems and certain software, from our designated suppliers and contractors or in accordance with our specifications. We maintain written lists of approved items of equipment, fixtures, furnishings, uniforms, marketing materials, inventory, suppliers and services (by brand name and/or by standards and specifications) and a list of designated suppliers and contractors for those items. We will update these lists periodically and issue the updated lists to all franchisees.

We approve suppliers after careful review of the quality of the products they provide to us and our franchisees. If you would like us to consider another item or supplier, you must make such request in writing to us and have the supplier give us samples of its product or service and other information that we may require. If the item and/or supplier meet our specifications, as we determine in our sole discretion, we will approve it as an additional item or supplier. We will make a good-faith effort to notify you whether we approve or disapprove of the proposed item or supplier within 30 days after we receive all required information to evaluate the product or service. If we do not approve any request within 30 days, it is deemed unapproved. We reserve the right to revoke approval of any item or supplier that does not continue to meet our then-current standards. Our criteria for approving or revoking approval of suppliers are not available to you. If you request that we approve a proposed item or supplier, we may charge you for our actual costs of product testing and evaluation.

You are required to purchase certain proprietary inventory items (including swag and merchandise), which may be purchased from us and/or our affiliate, Hello Sugar Supplies, or another vendor as we may designate. Hello Sugar Supplies is also the approved supplier for laser equipment. Our Chief Executive Officer, Brigham Dallas, and our COO Keaton Wall own an interest in Hello Sugar Supplies.

Hello Sugar Media, is an approved supplier of grand opening marketing, monthly local marketing expenditures, and other marketing services through its Social Media Marketing Program. Our Chief Executive Officer, Brigham Dallas, and our COO Keaton Wall own an interest in Hello Sugar Media.

Hello Sugar Remote is an approved supplier of esthetician certifications, sales training, optional training programs, and optional offsite manager services. Our Chief Executive Officer, Brigham Dallas, and our COO Keaton Wall own an interest in Hello Sugar Remote.

Other than as described above, neither we nor any of our affiliates are the only supplier of any good or service that you are required to purchase. However, we reserve the right to require you to purchase goods and services from us or any of our affiliates in the future at or below a reasonable fair market price.

We estimate that your purchase or lease of products, supplies, and services from approved suppliers (or those which meet our specifications) will represent approximately 70%-85% of your total purchases to establish your Franchised Business and approximately 30%-45% of your total purchases for ongoing operation.

Currently, there are no purchasing or distribution cooperatives. However, we can require that you make your purchases through a cooperative if one is formed.

We and our affiliate, Hello Sugar Supplies, will derive revenue from your purchase of proprietary inventory items. Additionally, our affiliate, Hello Sugar Media, will derive revenue from your purchase of your grand opening marketing package and may derive revenue from, if you elect (or we require you) to participate in the Social Media Marketing Program.

In the fiscal year ending December 31, 2023, Hello Sugar Media received \$239,993.46 revenue from purchases by franchisees.

In the fiscal year ending December 31, 2023, Hello Sugar Supplies received \$356,626.46 in revenue from purchases by franchisees.

In the fiscal year ending December 31, 2023, Hello Sugar Remote received \$19,655.86 in revenue from purchases by franchisees.

In our fiscal year ending December 31, 2023, we received (i) \$949,640 in reception fees, (ii) \$58,754 in training fees, and (iii) \$55,642 in software fees. This amount comprised 56.8% of our total revenue of \$1,874,338.

We do not receive any other revenue, rebates, payments, discounts, or other material consideration from any other suppliers based on your required purchases of products, supplies or equipment; however, we may do so in the future, and any rebates or discounts we receive may be kept by us in our sole discretion.

Although we have not yet done so, from time to time, we may negotiate purchase arrangements, including price terms, with designated and approved suppliers for the benefit of all franchisees.

We provide no material benefits (such as the grant of additional franchises) based on your use of designated sources; however, failure to use approved items or designated suppliers and contractors may be a default under the Franchise Agreement. Additionally, when there is any default under the Franchise Agreement, we reserve the right, in addition to other remedies available under the Franchise Agreement, to direct suppliers to withhold furnishing products and services to you.

Throughout the term of your Franchise Agreement, you are required to obtain and maintain the minimum insurance requirements set forth below (which we may update from time to time). We must be named as additional insured with respect to general liability and commercial auto liability, including a waiver of subrogation and primary, non-contributory insuring clauses. Workers' compensation must also include a waiver of subrogation in our favor.

### *Suite:*

The current minimum insurance requirements are:

- **General Liability** - General Liability Insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000 personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, contractual and independent contractors' liability, no exclusion for assault & battery and be occurrence-based. An A- VII or higher AM Best-rated admitted carrier. Stop-gap coverage is required for applicable monopolistic states.
- **Professional Liability** - Professional Liability Insurance with minimum coverage limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. If you elect to offer laser hair services, then you must obtain \$3,000,000 in the aggregate.
- **Workers Compensation** - All forms, types, and amounts of Workers' Compensation Coverage required by federal or state law. Workers' Compensation Insurance with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation. The insurance carrier must be rated A- VII or higher by AM Best to ensure financial stability and reliability.
- **Property / Business Interruption** - Related to Flagship Studios only: Property insurance with coverage for business personal property ( $\geq$  \$20,000 full replacement cost value), tenant improvements ( $\geq$  \$125,000 full replacement cost value), business interruption (12 Months ALS), including franchisor royalties. The insurance carrier must be rated A- VII or higher by AM Best.
- **Medical Expenses (Laser Hair Only)** - \$5,000 for each incident.
- **License Action Reimbursement (Laser Hair Only)** - \$15,000.

We also recommend the following coverages:

- **Employment Practices Liability** - Related to Suite Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.
- **Crime** - Crime insurance with minimum coverage limits of \$25,000 for each claim, including third-party coverage on a loss-discovered form.
- **Cyber Liability** - Cyber Liability Insurance with minimum coverage limits of \$100,000 per occurrence and \$100,000 aggregate.
- **Sexual Abuse and Molestation** - Sexual Abuse and Molestation Insurance with minimum limits of \$100,000 per occurrence and \$300,000 aggregate.
- **Franchisee Commercial Auto** - Commercial Auto Insurance with a \$1,000,000 combined single limit, covering hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/non-contributory provisions, provided by an A- VII or higher AM Best-rated carrier.

### *Flagship:*

The current minimum insurance requirements are:

- **General Liability** - General Liability Insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000

personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, contractual and independent contractors' liability, no exclusion for assault & battery and be occurrence-based. An A- VII or higher AM Best-rated admitted carrier. Stop-gap coverage is required for applicable monopolistic states.

- **Professional Liability** - Professional Liability Insurance with minimum coverage limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. If you elect to offer laser hair services, then you must obtain \$3,000,000 in the aggregate.
- **Franchisee Commercial Auto** - Commercial Auto Insurance with a \$1,000,000 combined single limit, covering hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/non-contributory provisions, provided by an A- VII or higher AM Best-rated carrier.
- **Workers Compensation** - All forms, types, and amounts of Workers' Compensation Coverage required by federal or state law. Workers' Compensation Insurance with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation. The insurance carrier must be rated A- VII or higher by AM Best to ensure financial stability and reliability.
- **Property / Business Interruption** - Related to Flagship Studios only: Property insurance with coverage for business personal property ( $\geq$  \$20,000 full replacement cost value), tenant improvements ( $\geq$  \$125,000 full replacement cost value), business interruption (12 Months ALS), including franchisor royalties. The insurance carrier must be rated A- VII or higher by AM Best.
- **Employment Practices Liability** - Related to Suite Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.
- **Medical Expenses (Laser Hair Only)** - \$5,000 for each incident.
- **License Action Reimbursement (Laser Hair Only)** - \$15,000.

We also recommend the following coverages:

- **Crime** - Crime insurance with minimum coverage limits of \$25,000 for each claim, including third-party coverage on a loss-discovered form.
- **Cyber Liability** - Cyber Liability Insurance with minimum coverage limits of \$100,000 per occurrence and \$100,000 aggregate.
- **Sexual Abuse and Molestation** - Sexual Abuse and Molestation Insurance with minimum limits of \$100,000 per occurrence and \$300,000 aggregate.

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**ITEM 9:        FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section or Article in Franchise Agreement</b>	<b>Section or Article in Development Agreement</b>	<b>Item in Franchise Disclosure Document</b>
a. Site Selection and Acquisition/Lease	1 and 2	Section 1 and Exhibit A	11
b. Pre-Opening Purchase/Leases	6	Nothing Additional (See Franchise Agreements signed)	7, 11
c. Site Development & other Pre-Opening Requirements	1, 2, 4, 5, and 6	Sections 1, 5, and Exhibit A	11
d. Initial and Ongoing Training	5	Nothing Additional (See Franchise Agreements signed)	11
e. Opening	6.1, 6.2, 6.3, 6.4, 6.5, 6.6, and 6.7	Section 5 and Exhibit A	11
f. Fees	1, 4, 5, 11, and 14	Sections 3 and 9	5, 6, 7
g. Compliance with Standards and Policies/Operating Manual	5, 7, 11	Nothing Additional (See Franchise Agreements Signed)	8, 11
h. Trademarks and Proprietary Information	2, 3, 9, 16	Nothing Additional (See Franchise Agreements Signed)	13, 14
i. Restrictions on Products/Services Offered	5, 7, 11	Nothing Additional (See Franchise Agreements Signed)	8, 16

Obligation	Section or Article in Franchise Agreement	Section or Article in Development Agreement	Item in Franchise Disclosure Document
j. Warranty and Customer Service Requirements	4.16	Nothing Additional (See Franchise Agreements Signed)	Not Applicable
k. Territorial Development and Sales Quotas	6	Nothing Additional (See Franchise Agreements Signed)	12
l. Ongoing Product/Service Purchases	4, 11	Nothing Additional (See Franchise Agreements Signed)	8
m. Maintenance, Appearance and Remodeling Requirements	11	Nothing Additional (See Franchise Agreements Signed)	Item 11
n. Insurance	11 and Exhibit 3	Nothing Additional (See Franchise Agreements Signed)	7
o. Advertising	4, 5, 7, 12	Nothing Additional (See Franchise Agreements Signed)	6, 11
p. Indemnification	17	Nothing Additional (See Franchise Agreements Signed)	14
q. Owner's Participation, Management, Staffing	8	Nothing Additional (See Franchise Agreements Signed)	11, 15
r. Records /Reports	4.2.1, 6.4.2, 13.2	Nothing Additional (See Franchise Agreements Signed)	6



Obligation	Section or Article in Franchise Agreement	Section or Article in Development Agreement	Item in Franchise Disclosure Document
s. Inspections and Audits	6, 7, 13	Nothing Additional (See Franchise Agreements Signed)	6, 11
t. Transfer	14	Section 9	17
u. Renewal	3	Nothing Additional (See Franchise Agreements Signed)	17
v. Post-Termination Obligations	16	Section 6	17
w. Non-Competition Covenants	9, 17, Exhibit 5 and Exhibit 6	Section 6	17
x. Dispute Resolution	19	Sections 12-16	17
y. Guaranty	14.3.7 and Exhibit 5	Not Applicable	15

#### **ITEM 10: FINANCING**

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

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

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

##### **1. Pre-Opening Obligations**

Before you open your Franchised Business, we will:

- a. approve the territory for your Franchised Business. Your territory will consist of a minimum population, and will be located within a geographic radius defined by zip codes or other readily ascertainable geographic boundaries (Franchise Agreement, Sections 2.1, 6.3).
- b. provide you with site selection guidelines and, at our discretion, provide you with site selection assistance. You are responsible for all costs, liabilities, expenses, and obligations related to acquiring, developing, and equipping a site for the Franchised Business (Franchise Agreement, Section 6.1).

- c. approve or disapprove a location for your Franchised Business. Within (a) ninety (90) days of signing the Franchise Agreement for a Suite, and (b) one hundred and eighty (180) days of signing the Franchise Agreement for a Flagship, you must submit a written request for approval to use describing the proposed location and providing other information about the site that we reasonably request. We will respond within fifteen (15) business days, either approving or rejecting the proposed location. We consider the following factors in approving a site: general location and neighborhood, distance from neighboring franchise territories, proximity to major roads and residential areas, traffic patterns, condition of the premises, tenant mix, demographic characteristics of the area, visibility, retail feel of the site, location of competitors, and other factors that we deem relevant (Franchise Agreement, Section 6.1).
- d. We do not own and/or lease a site to you. You are responsible for negotiating a purchase or lease with the owner of a site we approve. Prior to signing your lease, you are required to submit it to us for our review and approval. Our review is for inclusion of terms for the protection of the System and the Marks only. We will respond within fifteen (15) business days, either approving or disapproving the lease or sales contract. The lease for any location must include our Conditional Assignment of Lease Agreement, which is included as part of the Franchise Agreement as Exhibit 2. You must acquire the site within thirty (30) days after our approval of the lease or sales contract. Failure to acquire a site within this time period is a default of the Franchise Agreement (Franchise Agreement, 6.1).
- e. provide you with specifications for the layout, design, appearance and signage for your Hello Sugar outlet. You, your architect and your contractor are required to adapt our specifications for the construction of your premises and obtain permits. We do not adapt plans or obtain permits for you. We will review your adapted final construction plans and specifications. We review and approve your construction plans as they relate to compliance with our standards only, (Franchise Agreement, 6.5).
- f. provide you with access to the Hello Sugar Operations Manual (65 pages), other manuals and training aids we designate for use in the operation of your Hello Sugar franchise, as they may be available and revised from time to time (Franchise Agreement, 5.5 and 7.3).
- g. provide you with initial training (consisting of the Initial Management Training Program and the Initial Esthetician Training Program) virtually and at your location. We reserve the right to designate an alternative location for the initial training, or to designate any portion of the initial training to be completed in a virtual format. We will determine, in our sole discretion, whether you satisfactorily and your personnel complete the initial training programs. (Franchise Agreement, Section 5).
- h. provide a written list of equipment, signage, supplies and products that will be required to open the Franchised Business. We and our affiliates are not obligated to deliver or install any items (Franchise Agreement, Section 6.5).

## 2. **Time to Open**

We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Hello Sugar Suite is three (3) to six (6) months. We estimate the typical length of time between the signing of the Franchise Agreement and the time you open your Hello Sugar Flagship is nine (9) to twelve (12) months. Factors that may affect this time period include your ability to acquire a site, financing, zoning or other permits, and certifications; compliance with local ordinances and restrictions; shortages for construction; delivery and installation of fixtures, signs and equipment, and completion of required training.

If you receive the right to open a Flagship and exercise your option to open a Suite first, then you will have 6 months to open the Suite and once the Suite is open, you will then have 24 months to develop the Flagship.

If you execute a Development Agreement to open multiple Suites or Flagships, your Development Agreement will contain a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Suites and/or Flagships you are granted the right to open and operate. You will be required to sign the then-current franchise agreement in connection with each Franchised Business you are granted the right to develop. We will review and approve locations under the Development Agreement in accordance with the same time periods and in the same manner that we do under the Franchise Agreement since you are obligated to execute a separate franchise agreement in connection with each Franchised Business you develop under the Development Agreement.

### **3. Obligations After Opening**

During the operation of your franchise, we will:

- a. upon your request, or as we determine to be appropriate, provide remedial on-site training and assistance at your premises. For any on-site remedial training, you must reimburse all costs for the services of our trainer, including but not limited to the trainer's then-current per diem fee and all travel-related expenses, such as transportation, meals and lodging. (Franchise Agreement, Section 5).
- b. upon your request, provide individualized assistance to you within reasonable limits by telephone, video conferencing, electronic mail or postage service, subject at all times to availability of our personnel and in reasonable limits (Franchise Agreement, Section 5).
- c. from time to time, as may become available, provide you with samples or digital artwork, advertising and promotional materials (Franchise Agreement, Section 7.6).
- d. provide you with any written specifications for required equipment, products and services and updated lists of any approved suppliers of these items (Franchise Agreement, Section 7).
- e. approve or disapprove of all advertising, direct mail, and other promotional material and campaigns you propose in writing to us. We will respond within fifteen (15) calendar days, either accepting or rejecting the proposed material and/or campaign; however, if we do not respond within fifteen (15) calendar days, the proposed material and/or campaign is deemed disapproved. (Franchise Agreement, Section 4.9).
- f. provide recertification services so estheticians can be recertified on a yearly basis (Franchise Agreement, Section 4.7).

During the operation of your franchise, at our discretion we may:

- a. offer from time to time, at our discretion, mandatory or optional additional training programs, including an annual business meeting or convention, or recertification training. If we require it, you must attend mandatory additional training offered by us. Failure to attend mandatory additional training or an annual business meeting or conference is a default of the Franchise Agreement. We reserve the right to impose a reasonable fee for tuition and/or attendance for all additional training programs, including the annual business meeting or conference, or recertification training. You must also pay your transportation, lodging, meals and other

expenses to attend any mandatory training program. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainer's travel costs (Franchise Agreement, Section 5).

- b. conduct inspections of your Franchised Business, at the frequency and duration that we deem advisable. Such inspections include evaluating your service and premises to ensure that they meet our standards (Franchise Agreement, Section 7.4).
- c. subject to state law, recommend minimum and maximum prices for products and services at your Hello Sugar outlet (Franchise Agreement, Section 11.8).

#### **4. Advertising**

##### **One-Time Setup Fee and Grand Opening Marketing Fee; Local Advertising** (Franchise Agreement, Section 4.8)

###### *One-Time Setup Fee and Grand Opening Marketing Fee*

If you elect to have Hello Sugar Media conduct your Grand Opening Marketing, beginning when you sign the lease for your Franchised Business through the two (2) months immediately following the opening of your Franchised Business, you are required to pay our affiliate, Hello Sugar Media, Two Thousand Five Hundred Dollars (\$2,500.00) for initial local advertising and promotional activities in the Territory if you are opening a Suite and between Four Thousand Five Hundred Dollars (\$4,500) to Nine Thousand Five Hundred Dollars (\$9,500) if you are opening a Flagship (the "Grand Opening Marketing Fee"). We will determine the amount that is paid for the Flagship depending on several factors such as (i) market penetration, (ii) Territory size, and (iii) brand awareness.

In connection with the Grand Opening Marketing Fee, you must also pay our affiliate, Hello Sugar Media, a One-Time Setup Fee of Five Hundred Dollars (\$500.00). This amount is the same for both Suites and Flagships. Hello Sugar Media will provide advertising management services to you during this period.

###### *Local Advertising*

You are required to spend at least Three Hundred Fifty Dollars (\$350.00) per month on advertising for the Franchised Business in your Territory. Upon request, you must furnish us with a quarterly report and documentation of local advertising expenditures during the previous calendar quarter.

In the alternative to your required minimum monthly local advertising expenditure, you may elect to, and we recommend that you, participate in our Social Media Marketing Program, through which our affiliate, Hello Sugar Media, will create, purchase and place local digital Facebook, Instagram, and other social media advertising on your behalf to promote your Hello Sugar Franchised Business in your local market. You will be required to prepay a predetermined amount each month to Hello Sugar Media on or before the 10<sup>th</sup> day of each calendar month for anticipated media purchasing that month for social media marketing placement. Hello Sugar Media will track amounts spent on social media marketing placement, and at the end of each month, will reconcile the amount spent against your prepayment. You will be required to pay to Hello Sugar Media any amounts based on media purchasing above the prepaid amount for any month on the subsequent month's prepayment invoice. If you fail to spend the minimum required monthly advertising expenditure, we reserve the right to require you to participate in the Social Media Marketing Program.

You may develop advertising materials for your own use at your own cost, and you may use marketing materials that we may offer you from time to time. You may not use advertising or marketing materials, including press releases, unless they have been approved in advance in writing by us, which approval may be withheld in our discretion. We will respond to your request for approval within fifteen (15) calendar days; however, if we do not respond within fifteen (15) calendar days, the proposed advertising or marketing material is deemed “disapproved”.

Other than as described above under the Social Media Marketing Program, we do not provide for placement of local advertising on your behalf, and we have no obligation to spend any amount on advertising in your area or territory, and you are responsible for local advertising placement not related to social media advertising. If feasible, you may do cooperative advertising with other Hello Sugar franchisees in your area, with our prior written approval. You may not maintain any business profile on Facebook, Twitter, Instagram, LinkedIn, YouTube or any other social media and/or networking site without our prior written approval.

#### **Brand Fund (Franchise Agreement, Section 4.9)**

Currently, our System has no Brand Fund. However, we may decide to establish a Brand Fund in the future and your participation may be mandatory, in our sole discretion. If established, you will be required to contribute up to two percent (2%) of monthly Gross Revenue to the Brand Fund. If established, each franchisor-owned or affiliate-owned business will contribute to the Brand Fund. Because the franchise agreement changes from year to year, each location may not be required to contribute the same amount to the Brand Fund.

If established, the Brand Fund will be administered by our accounting and marketing personnel. We may use Brand Fund contributions to pay any and all costs for the development, production and placement of advertising, marketing, promotional and public relations materials, and programs. We may also use Brand Fund contributions to pay any and all costs of marketing seminars and training programs, market research, services of advertising and/or public relations agencies, and website development and maintenance. We may further use Brand Fund contributions to pay our costs (including personnel and other administrative costs) for advertising that is administered or prepared by us, as well as for administration and direction of the Brand Fund.

If established, the Brand Fund will not be used to defray any of our other general operating expenses. Brand Fund contributions will not be used to solicit new franchise sales; provided however, we reserve the right to include “Franchises Available” or similar language and contact information in advertising produced with Brand Fund contributions.

If established, the Brand Fund will collect and expend the Brand Fund contributions for the benefit of the System as a whole. We reserve the right to use the Brand Fund contributions to place advertising in national, regional or local media (including broadcast, print or other media) and to conduct marketing campaigns through any channel, in our discretion. We have no obligation, however, to place advertising or conduct marketing campaigns in any particular area, including the territory where your Franchised Business is located.

The Brand Fund and its earning shall not otherwise inure to our benefit except that any resulting technology and intellectual property shall be deemed our property.

We will have no obligation to make expenditures that are equivalent or proportionate to your Brand Fund contributions or to ensure that you benefit directly or pro rata from the production or placement of advertising from the Brand Fund.

The Brand Development Fund will not be audited. If established, an annual unaudited financial statement of the Brand Development Fund may be made available to any franchisee upon written request, within 180 days of our fiscal year end.

If we spend more or less than the total of all contributions to the Brand Fund in any fiscal year, we may carry forward any surplus or deficit to the next fiscal year.

Because the Brand Fund has not been established, no Brand Fund contributions were made and no amounts were expended in our most recently concluded fiscal year. Although, if established, the Brand Fund is intended to be perpetual in duration, we may terminate it at any time and for any reason or no reason. We will not terminate the Brand Fund, however, until all monies in the Brand Development Fund have been spent for advertising or promotional purposes or returned to contributors, without interest, on the basis of their respective contributions.

### **Regional Advertising** (Franchise Agreement, Section 4.9.2)

Currently, our System has no regional advertising fund or cooperative. However, we may decide to establish a regional fund or cooperative in the future and your participation may be mandatory, in our sole discretion. A regional cooperative will be comprised of all franchised Hello Sugar outlets in a designated geographic area. Our affiliate-owned outlets may participate in a regional cooperative, in our sole discretion. We will determine in advance how each cooperative will be organized and governed. We have the right to form, dissolve, merge or change the structure of the cooperatives. If a cooperative is established during the term of your Franchise Agreement, you must sign all documents we request and become a member of the cooperative according to the terms of the documents. Currently, there are no governing documents available for your review.

If we establish a regional advertising fund or cooperative, you must contribute amounts equal to your share of the total cost of cooperative advertising. Your contributions to a regional advertising fund or cooperative will be in addition to your required contributions to the Brand Development Fund (if established); however, contributions made by you to a regional advertising fund or cooperative will be credited against your required expenditures for local advertising.

### **Advertising Council** (Franchise Agreement, Section 17.5)

We do not have an advertising council composed of franchisees that advises us on advertising policies. The Franchise Agreement gives us the right, in our discretion, to create a franchisee advisory council to communicate ideas, including proposed advertising policies. If created, we will determine in advance how franchisees are selected to the council, which may include factors such as a franchisee's level of success, superior performance, and outlet profitability. We reserve the right to change or dissolve the council at any time.

## **5. Computer Systems** (Franchise Agreement, Section 6.7)

You must purchase the hardware, software, system tools and processes as stated in the Operations Manual. Currently, you are required to have the following hardware and software:

Hardware: Chromebox, monitor, iPad, high speed internet access (ranges from \$610-\$1,030)

Software: QuickBooks Online digital bookkeeping software, music streaming service

You are required to use the music streaming service that we designate. Currently, the cost of the music streaming service is Eleven Dollars and Ninety-Nine Cents (\$11.99) per month. We reserve

the right to collect these fees and remit payment to our required music streaming service on your behalf.

In addition to QuickBooks Online for bookkeeping, which currently ranges from \$150-\$300 per location per month. You may engage our designated vendor to provide remote bookkeeping services. Subject to increase, the fees for our current approved vendor for remote bookkeeping services and payroll administration services are \$150 - \$300 per month. In any case, you are required to grant us “reports-only” access to your QuickBooks account.

In addition, we will arrange for you to obtain a license to use studio management and point of sale software (the “POS System”) that has been customized for use in your Franchised Business. The current cost for this license is 0.45% +\$0.10 of the transaction if a card is present and 0.45% +\$0.12 of the transaction if a card is not present.

Furthermore, you are required to obtain review software from our approved supplier, which is currently (i) \$30 per location per month if you obtain the software from our affiliate, Hello Sugar Media, or (ii) \$45 per location per month if you use our third-party provider.

You are required to use our designated supplier to provide email and texting services. This amount will depend on the number of active clients that you have and you will pay this amount to our affiliate Hello Sugar Media. This is a direct pass-through cost.

You are required to use our designated supplier for website popup services. This amount is equal to 10% of the revenue from the booked appointment. This amount is paid to our affiliate Hello Sugar Media.

We may also require you to use this or any other software we designate to conduct mass marketing via email and/or text messages to members or prospective members. We and the software vendor will provide the continuing monthly support you need to operate this studio management software. We do not provide support for any other third-party software.

We may in the future modify or establish other computer systems or sales reporting systems as we deem appropriate, for the accurate and expeditious reporting of Gross Revenue and delivery of our products and services. You must fully cooperate in implementing any such modifications at your expense. The current approximate cost of the required software is approximately \$2,260 - \$3,800 per month, in addition to the current Technology Fee of \$45.00 per month that you will pay each month after your initial period of operations.

Other than as described above, we have no obligation to maintain, repair, update or upgrade your computer and software. At your cost, you must provide ongoing maintenance and repairs to your computer and software that we require that are not included with the Technology Fee. You must upgrade your computer hardware and software as necessary to operate the most current version of our POS System and other computer system requirements. You are not obligated to spend more than \$1,000 per year on maintaining, updating and upgrading your computer hardware and software.

We reserve the right to have remote and independent access to your revenue information and client data generated by and stored in your computer system. There are no contractual limitations on our right to have full access to this information. We may retrieve, download, analyze and store such information and data at any time. Upon request, you must sign any documents we require to allow us to independently and electronically access and retrieve the information stored in the computer system. We own all customer data in the computer system.

## 6. **Table of Contents of Operations Manual**

The Table of Contents of our Hello Sugar Operations Manual, current as of the date of this Disclosure Document is attached as Exhibit E. As of the date of this Disclosure Document, the Operations Manual has approximately 65 pages.

## 7. **Training** (Franchise Agreement, Section 5)

You (if the franchisee is an individual) or Operating Principal (if the franchisee is a business entity) and your General Manager (if any) must complete our Initial Management Training Program, to our satisfaction, within six months of signing the Franchise Agreement if you are opening a Suite and within 12 months of signing the Franchise Agreement if you are opening a Flagship. We will train your Initial Management Training Program remotely, virtually:

### **INITIAL MANAGEMENT TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On The Job Training</b>	<b>Location</b>
Introduction to Hello Sugar	.5	0	Your location
IT, Operations & Construction	2	0	Your location
Human Capital	1	0	Your location
Sales & Marketing	2	0	Your location
Financial & Accounting	1.5	0	Your location
Procurement (Vendors & Suppliers)	1	0	Your location
Legal & Strategic Planning	2	0	Your location
<b>Total Training Time</b>	<b>10</b>	<b>0</b>	

In addition to the Initial Management Training Program, at least one esthetician that you employ must complete our Initial Esthetician Training Program (the Initial Management Training Program and the Initial Esthetician Training Program are collectively the “Initial Training Programs”), to our satisfaction within six months of signing the Franchise Agreement if you are opening a Suite and within 12 months of signing the Franchise Agreement if you are opening a Flagship. You must not allow your estheticians to perform services on behalf of your Franchised Business until the estheticians have successfully, and to our satisfaction, completed the Initial Esthetician Training Program detailed below. We will train your Initial Esthetician Training Program trainees at your location:

### **INITIAL ESTHETICIAN TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On The Job Training</b>	<b>Location</b>
Introduction to Hello Sugar	1	0	Your location
Introduction to Wax/Sugar Patterns & Technique	1	1	Your location
Body – Hard Wax (Full Face, Underarms, Brows)	.5	2-3	Your location



Body – Sugar (Full Face, Underarms, Brows)	.5	3-4	Your location
Large Body – Soft Wax (Arms, Legs, Back, Chest, Buttocks)	.5	4-5	Your location
Large Body – Sugar (Arms, Legs, Back, Chest, Buttocks)	.5	4-5	Your location
Brazilian Female – Wax (Bikini Line, Bikini Full, Brazilian)	.5	5-6	Your location
Brazilian Female – Sugar (Bikini Line, Bikini Full, Brazilian)	.5	5-6	Your location
Brazilian Male – Wax (Bikini Line, Bikini Full, Brazilian)	.5	1-2	Your location
Brazilian Male – Sugar (Bikini Line, Bikini Full, Brazilian)	.5	1-2	Your location
Additional Services (Enzyme Treatment, Lash Lift/Brow Lam, Lash/Brow Tint, Intimate Lightening)	.5	2-3	Your location
<b>Total Training Time</b>	<b>6.5</b>	<b>28-37</b>	

If you elect to provide laser hair services, then the Initial Training Program will last approximately 1-3 additional days (approximately 8-25 hours).

We periodically conduct our Initial Training Programs throughout the year, as needed and approximately monthly. Training is currently provided by our Founder, Brigham Dallas and one of the corporate trainers. Brigham has been with us since our inception and has 9 years of experience in the subjects that he teaches. Any trainer will have a minimum of 1 year of experience in the subjects they teach. We reserve the right to make changes to our training staff as we deem necessary and advisable without prior notice.

Our training materials consist of the Operations Manual, digital presentations and tutorials, web-based instruction, marketing and promotional materials, and any other materials that we believe will be beneficial to our franchisees in the training process. Hands-on training also includes observation and active instruction.

The cost of our Initial Training Program is \$5,250 if you are opening a Suite, and \$10,500 if you are opening a Flagship (the “Training Fee”). The Initial Training Program is the same for both Suites and Flagships, except that we will conduct the Initial Training Program twice for the Flagship, with half of your personnel attending during the first week and the other half attending during the second week.

If your Operating Principal or General Manager does not complete our Initial Management Training Program to our satisfaction, we reserve the right to terminate the Franchise Agreement; however, we may allow you to repeat the Initial Management Training Program at an additional fee equal to our then-current tuition. We also reserve the right to charge a reasonable fee to provide initial training, to any manager you appoint, with our approval, after the initial opening of your Franchised Business.

We may conduct mandatory or optional additional training programs, including an annual conference or national business meeting, or recertification training. If we require it, you must attend mandatory training programs that we offer and/or an annual conference, national business meeting or recertification training, at a location we designate. Failure to attend mandatory training, including an annual conference, national business meeting or recertification training is a default under the Franchise Agreement. The fee for this mandatory training is currently Fifty Dollars (\$50.00) per

trainer per hour if completed at our headquarters, or Five Hundred Dollars (\$500.00) per trainer per day if completed at your Franchised Business location, and covers the costs for tuition and/or attendance for all additional training programs, including the annual business meeting or conference, or recertification training. You must also pay your transportation, lodging, meals and other expenses to attend any mandatory training program completed at our headquarters, or our trainers' transportation, lodging, meals and other expenses if completed at your Franchised Business location. If you fail to attend any mandatory training program, you are required to obtain the training at a location we designate, at your sole cost, which includes tuition at the then-current rate, plus all of your travel costs and our trainers' travel costs.

Our affiliate, Hello Sugar Remote, also offers an optional Membership Conversion Rate ("MCR") Training Program that costs \$200 per esthetician. This training program is remote and our affiliate plan to offer this program as requested by franchisees.

## **ITEM 12:     TERRITORY**

### *Franchise Agreement*

Under the Franchise Agreement, you have the right to establish and operate one (1) Hello Sugar outlet within a territory that will be defined after the location of your Hello Sugar outlet is identified and approved by us (the "Territory").

If you do not have an Approved Location as of the date you sign the Franchise Agreement, then a mutually agreed-upon non-exclusive site selection area wherein you will secure an Approved Location (the "Site Selection Area") will be set forth in Exhibit 1 to the Franchise Agreement.

You are required to find and obtain possession of a specific location for your Franchised Business that meets our site selection, criteria and our approval. Your Territory is located in all or a portion of a listed town, city, or county, and is identified by a radius, group of contiguous zip codes, political boundaries, natural boundaries, competition and other factors that we deem pertinent. The Territory is based on various demographic data as we determine, in our discretion, which may include minimum numbers of households, average home prices, and household incomes. The minimum Territory we will grant you for a Flagship or Suite will include a minimum area of the lesser of (i) 60,000 people, or (ii) a 2-mile radius around the Approved Location. Your Territory will be defined and attached to your Franchise Agreement as Exhibit 1. If you do not yet have a location at the signing of the Franchise Agreement, you will receive a non-exclusive site search area which will be set forth in Exhibit 1 to the Franchise Disclosure Document.

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

During the term of your Franchise Agreement, and provided that you are not in default of your Franchise Agreement, we will not open another Hello Sugar outlet or grant the right to anyone else to open a Hello Sugar outlet within the Territory. Notwithstanding this limited protection right we grant to you, we reserve all rights to sell our products and services under the mark in the Territory through alternative distribution channels, as discussed below.

### *Development Agreement*

Under the Development Agreement, you are granted the right to develop a specific number of Franchised Businesses within a specific geographic area ("Development Area"). The size of your Development Area will be determined based on our long-range development plans and the number

of Franchised Businesses you will develop. The Development Area will be described in an Exhibit to your Development Agreement using contiguous zip codes, county, or state boundaries, or it may be described on a map.

If you are in compliance with the terms of the Development Agreement and your Development Schedule, we will not license any other franchisee or area developer to establish a Hello Sugar business within the Development Area. If you are not in compliance with your Development Agreement or you have not complied with the Development Schedule, we have the right to reduce the number of Franchised Businesses you may develop, reduce the size of your Development Area, or terminate the Development Agreement.

If you fail to meet your Development Schedule requirements for whatever reason, we may terminate your Development Agreement. Otherwise, we will not modify your Development Area except by mutual agreement of the parties in a separate writing.

You have no options, rights of first refusal, or similar rights to acquire additional franchises. Continuation of your Designated Territory does not depend on your achieving a certain sales volume, market penetration, or other contingency.

#### *Other Relevant Disclosures*

There is no minimum sales requirement, market penetration or other contingency that will affect your limited protected right to operate in the Territory during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we may withhold in our sole discretion. The conditions under which we may allow you to relocate include the following: loss of your premises not due to your default, demographics of the surrounding area, proximity to other Hello Sugar outlets, lease requirements, traffic patterns, vehicular and pedestrian access, proximity to major roads, available parking, and overall suitability. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we may terminate the Franchise Agreement. If your landlord terminates your right to possess the premises of the Franchised Business, then you will have 60 days to find a suitable replacement that is approved by us. Any relocation of the Franchised Business requires the payment of a relocation fee of \$500, plus our costs in reviewing and approving the new location.

Other than the foregoing, we may, but have no obligation, to consider granting to you the right to establish additional Hello Sugar Shops under other franchise agreements if you are in compliance with the Franchise Agreement and propose to open another Hello Sugar in an area and at a location acceptable to us. The Franchise Agreement grants you no other options, rights of first refusal or similar rights to acquire additional franchises.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate Hello Sugar outside of the Territory and may operate other kinds of businesses within the Territory. Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location selling any type of product or service not offered under the Mark, including a product or service similar to those you will sell at your Hello Sugar. We reserve the right to merge with, acquire, or be acquired by, an existing competitive or non-competitive franchise network, chain, or other business; however, we will not convert any acquired business in

your Territory to a franchise using our primary trademarks during the Term of your Franchise Agreement.

We and our affiliates may sell products and services under the Mark within or outside the Territory or Development Area through any method of distribution other than a dedicated Hello Sugar, such as distribution through retail outlets, including but not limited to, grocery stores and gift shops; in captive market locations, such as airports and stadiums; and the Internet ("Alternative Distribution Channels"). You will receive no compensation for our sales through Alternative Distribution Channels in the Territory or development area.


You may not use Alternative Distribution Channels to make sales inside or outside your Territory; however, we will include a listing on our website of your Franchised Business. You may only solicit sales from consumers in your Territory and you may not directly solicit sales from consumers outside of your Territory, although the reach of your local advertising may extend beyond your Territory.

### **ITEM 13: TRADEMARKS**

We will license you the right to operate your Franchised Business under the Hello Sugar service mark, which is currently registered on the Principal Register with the United States Patent and Trademark Office as described below ("Principal Mark"):

Mark	Registration Date	Registration No.	Register
HELLO, SUGAR	Sept. 28, 2021	6,504,071	Principal
IT HURTS LESS HERE!	Sept. 10, 2024	7,501,731	Principal

We have also filed for the following mark which are currently pending with the United States Patent and Trademark Office:

Mark	Filing Date	Serial No.	Register
	January 25, 2024	98375730	Principal

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

To date, we have filed all required affidavits and renewals for the marks set forth in the tables above.

You must notify us (i) within five (5) calendar days when you learn about an infringement of our Principal Mark, or (ii) within three (3) calendar days of receiving notice of a challenge to your use of the Principal Mark or other trademarks. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement.

We will indemnify you for all expenses and damages arising from any claim challenging your authorized use of the Principal Mark or other trademarks, provided (i) your use of the Principal Mark is in full compliance with our standards and specifications, and (ii) you notify us within three (3) calendar days of receiving notice of a challenge to your use of the Principal Mark or other trademarks. We may have the right to control any administrative proceedings or litigation involving the Principal Mark or other trademarks licensed by us to you. You must cooperate fully with us in defending and/or settling the litigation.

We reserve the right to substitute different Marks if we can no longer use the current Marks, or if we determine that substitution of different Marks will be beneficial to the System. In such event, we may require you, at your expense, to modify or stop using any Mark, including the Principal Mark, or to use one or more additional or substitute Marks. You will be required to modify your use of any mark within a reasonable time in the manner prescribed by us.

You must not directly or indirectly contest our right to the Principal Marks or other Marks.

There are no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeals Board, the Trademark Administration of any state, or any court relating to the Marks. There is no pending infringement, opposition, or cancellation. There is no pending material federal or state court litigation involving the Principal Marks or other Marks.

We are aware of a similar business located in Gresham, Oregon that operates under the name “Hello Sugar!”. Except for any superior common law rights that this third party may have in their trading area, we know of no superior prior rights or infringing uses that could materially affect your use of the Principal Mark. We have filed all required affidavits and will file renewals as they become due. No agreements are currently in effect that would significantly limit our right to use or license the use of the Principal Mark.

#### **ITEM 14: PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

We hold no patents and have no pending patent applications that are material to the franchise. We have registered no copyright with the United States Copyright Office. However, we claim copyrights on certain forms, advertisements, promotional materials, photographs and other written materials. We also claim copyrights and other proprietary rights in our Manual.

There are no current material determinations, or proceedings pending in, the United States Patent and Trademark Office, the U.S. Copyright Office, or any court regarding any of our copyrights discussed above.

There are no agreements currently in effect which limit your right to use any of our copyrights. As of the date of the Disclosure Document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them.

You have no rights under the Franchise Agreement if we require you to modify or discontinue using the subject matter covered by any patent or copyright.

You must notify us immediately when you learn about an infringement of or challenge to your use of our copyrights. We will take any action we think appropriate and, if you have given us timely notice and are in full compliance with the Franchise Agreement, we will indemnify you for all expenses and damages arising from any claim challenging your authorized use of our copyrights. We have the right to control any administrative proceedings or litigation involving our copyrights licensed by us to you. You must cooperate fully with us in defending and/or settling litigation.

During the term of the Franchise Agreement, you may have access to and become acquainted with our trade secrets, including, but not limited to methods, processes, customer. Lists, vendor partnerships and/or relationships, sales and technical information, costs, product prices and names, software tools and applications, website and/or email design, products, services, equipment, technologies and procedures relating to the operation of your Hello Sugar outlet; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirement and specifications which are part of the System; the Operations Manual; methods of advertising and promotion; instructional materials; marketing plans, business methods, research, development or know-how, any other information which we may or may not specifically designate as “confidential” or “proprietary”, and the components of our System whether or not such information is protected or protectable by patent, copyright, trade secret or other proprietary rights (collectively called the “Confidential Information”). You agree that you will take all reasonable measures to maintain the confidentiality of all Confidential Information in your possession or control and that all such Confidential Information and trade secrets shall remain our exclusive property. You may never (during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated) reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our Confidential Information or give it to a third party except as we authorize in writing to you prior to any dissemination. Your personnel who have access to our Confidential Information must sign our Confidentiality/Non-Competition Agreement (Franchise Agreement, Exhibit 6).

You must promptly tell us when you learn about unauthorized use of any Confidential Information. We are not obligated to take any action but will respond to this information as we think appropriate. We will indemnify you for losses brought by a third party concerning your use, in strict compliance with the Franchise Agreement, of the Confidential Information.

**ITEM 15: OBLIGATIONS OF THE FRANCHISEE TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

While we recommend you participate personally in the direct operation of the Franchised Business, the Franchise Agreement does not require that you personally supervise the day-to-day operations of your Hello Sugar outlet, unless you are operating a Suite. If you are a business entity, you must designate and retain (subject to our approval) at all times an individual to serve as the “Operating Principal” who will be primarily responsible for your Franchised Business and exercise decision making authority on behalf of the Franchised Business. Your Operating Principal is required to have an equity interest of at least 20% in the franchisee entity and must supervise any General Manager that you engage. If you are an individual, you must perform all obligations of the Operating Principal. While we recommend your on-premises supervision of the Franchised Business, you may appoint a “General Manager” to oversee the day-to-day operations of your Hello Sugar outlet, but you must remain active in overseeing the Franchised Business. Your General Manager can either be you or someone appointed by you who is acceptable to us. If the franchisee is a business entity, your General Manager is not required to have

an equity interest in the franchisee entity. You may engage the Offsite Manager to provide certain services in connection with the management of the business.

Your Operating Principal and General Manager must successfully complete our Initial Management Training Program and all other training courses we require. Your Operating Principal and General Manager must use their best efforts to operate the business and cannot have an interest or business relationship with any of our competitors.

Your General Manager and all other personnel who will have access to our proprietary and Confidential Information and training must sign our Non-Disclosure/Non-Competition Agreement, which is attached to our Franchise Agreement as Exhibit 6. If your Franchised Business is owned by an entity or individually, all owners of the entity and each spouse must personally sign our Guaranty, which is attached to our Franchise Agreement as Exhibit 5.

#### **ITEM 16:      RESTRICTION ON WHAT FRANCHISEE MAY SELL**

You must offer and sell all products and services that are part of the System, including, but not limited to, full body waxing and sugaring services, and all services and products which we incorporate into the System in the future. Equipment, supplies, and materials used in the operation of your Franchised Business must be approved by us (see Item 8). You may only offer products and services that we have previously approved.

We have the right to add additional authorized products and services that you are required to offer and there is no limit on our right to do so. Although we do not currently have any optional products and services for sale, we may designate such products or services in the future. To the extent that you choose to offer such optional products or services in the future, we may require you to comply with other requirements such as training or obtaining insurance before doing so.

You may not use our Principal Mark or other trademarks for any other business, and you may not conduct any other business from your Franchised Business location. You cannot engage in any other business that competes with your Franchised Business location. You cannot engage in any other business that competes with your Franchised Business, with us or our affiliates, or with Hello Sugar outlets owned by other franchisees, whether such business is inside or outside of the Territory.

We may add to, delete from or modify the products and services that you can and must offer. You must abide by any additions, deletions and modifications, but only if the changes do not materially and unreasonably increase your obligations under the Franchise Agreement. There are not other limits on our right to make these changes.

You may only sell products and services in the manner we prescribe. You may only solicit sales from customers in your Territory. Your local advertising must target customers in your Territory, although the reach of your local advertising may extend beyond your Territory. See Item 12 for restrictions on sales within and outside the Territory.

**ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION****THE FRANCHISE RELATIONSHIP**

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

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	3	Term is ten (10) years.
b.	Renewal	3	If you are in good standing as defined below, you can sign a successor agreement for additional terms of five (5) years each, unless we have determined, at our sole discretion, to withdraw from the geographical area where your franchise is located.
c.	Requirements for franchisee to renew or extend	3.1	<p>Be in full compliance with the Franchise Agreement, have no more than three (3) events of default prior 24-month period or two (2) or more notices in the 12-month period preceding the renewal request date or renewal date; provide written notice to us at least six (6) – nine (9) months before the end of the term; execute a new franchise agreement; pay the Renewal Fee equal to \$2,500; execute our current form of Franchise Agreement, continue to maintain your location, current trade dress and other standards; execute a general release; comply with then-current qualifications and training requirements including completion of additional training.</p> <p>You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.</p>
d.	Termination by franchisee	None	You may seek termination upon any grounds available by state law.
e.	Termination by franchisor without cause	14.5.1	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve (subject to state law).
f.	Termination by franchisor with cause	15.1, 15.2, 15.3, and 15.4	We may terminate only if you default (subject to state law).



	Provision	Section in Franchise Agreement	Summary
g.	"Cause" defined – curable defaults	15.3	You have 10 days to cure non-payments to us, failure to obtain and maintain insurance, failure to comply with the Social Media Policy, failure to obtain and maintain permits, and failure to comply with the Code of Conduct in the Operations Manual (subject to state law).
		15.4	You have 30 days to cure any other default (subject to state law).

h.	"Cause" defined - non-curable defaults	15.1	The Franchise Agreement will terminate automatically, without notice for the following defaults: insolvency; bankruptcy; written admission of inability to pay debts; receivership; levy; composition with creditors; unsatisfied final judgment for more than 30 days; or foreclosure proceeding that is not dismissed within 30 days (subject to state law).
		15.2	We may terminate the Franchise Agreement upon notice to you if you: do not acquire a site, do not complete construction, obtain permits and/or open the Franchised Business within required time frames; falsify any report to us; cease operations for 3 days or more, unless the premises are damaged and you apply to relocate; offer any products or services not approved by us; lose possession of the premises, unless you are not at fault for loss and you timely apply to relocate; fail to comply with applicable laws; default under any lease for the premises; understate Gross Revenue two (2) or more times; fail to comply with insurance and indemnification requirements; attempt a transfer in violation of the Franchise Agreement; fail, or your legal representative fails to transfer as required upon your death or permanent disability; misrepresent or omit a material fact in applying for the Franchise; are convicted or plead no contest to a felony or crime or engages in conduct that could damage the goodwill or reputation of our trademarks or the System; receive an adverse judgment in any proceeding involving allegations of fraud, racketeering or improper trade practices or similar claim that could damage the goodwill or reputation of our trademarks or the System; conceal revenues or maintain false books; create a threat or danger to public health or safety; refuse an inspection or audit by us; use our trademarks, copyrighted material or Confidential Information in an unauthorized manner; make an unauthorized disclosure of Confidential Information; fail to comply with non-competition covenants; default in the performance of your obligations three (3) or more times during the term or receive two (2) or more default notices in any 12-month period; default under any other agreement with us or our affiliate (including any development agreement and such agreement is terminated); have insufficient funds to honor a check or EFT two (2) or more times within any twelve (12)-month period; default, or your affiliate defaults, under another agreement with us or our affiliate; or terminate the Franchise

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
			Agreement without cause (subject to state law).
i.	Franchisee's obligations on termination/ non-renewal	16.1 – 16.6	Upon termination, you must: cease operations; cease to identify yourself as a System franchisee; cease to use our trademarks or other intellectual property; cancel any assumed name registration that contains any Mark; pay us and our affiliates all sums owing; pay us any damages, costs or expenses we incur in obtaining any remedy for any violation of the Franchise Agreement by you, including, but not limited to attorneys' fees; deliver to us all Confidential Information, the Operations Manual and all records and files related to your Franchised Business; comply with the non-disclosure and non-competition covenants; sell to us, at our option, all furnishing, fixtures, equipment, inventory and supplies of your Franchised Business; and assign, at our option, your telephone numbers, directory and internet listings, and social media and software accounts and the lease for the location.
j.	Assignment of contract by franchisor	14.1	No restrictions on our right to assign.
k.	"Transfer" by franchisee defined	14.2	Any assignment, sale, transfer, gift, devise or encumbrance of any interest in the Franchise Agreement, the Franchised Business, any assets of the Franchised Business, or in the Franchisee (if the Franchisee is a business entity).
l.	Franchisor approval of transfer by franchisee	14.2	No transfer is allowed without our consent, which we will not unreasonably withhold.
m.	Conditions for franchisor approval of a transfer	14.3	Conditions include: our decision not to exercise our right of first refusal; transferee meets our then-current standards for qualifying franchisees; transferee signs our then-current form of Franchise Agreement, which may have materially different terms from your Franchise Agreement; transferee successfully complete our Initial Training Program; you have paid us and third-party creditors all amounts owed; you and the transferee sign a general release; you shall subordinate any claims you have against the transferee to us; you will indemnify us following the transfer; our approval of the material terms and conditions of the transfer; landlord's consent of a lease assignment, if applicable; payment of a transfer fee (subject to state law).

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
n.	Franchisor's right of first refusal to acquire franchisee's business	14.7	You must promptly notify us of any written offer to purchase your Franchise. We have 30 days to exercise our first right to buy it on the same terms and conditions, provided that (a) we may substitute cash for any other consideration (b) we may pay the entire purchase price at closing, (c) our credit is deemed as good as the proposed purchaser, (d) we have at least 30 days to close and (e) you shall give us all customary seller's representations and warranties.
o.	Franchisor's option to purchase franchisee's business	16.5	Upon termination of the Franchise Agreement, we have the option to purchase your equipment, furniture, fixtures, signs, advertising materials, supplies, and inventory at a value equal to the amount agreed upon by us and you or as determined by a certified valuation analyst (subject to state law).
p.	Death or disability of franchisee	14.5	The Franchise Agreement will terminate upon your death or permanent disability, and the Franchise must be transferred within six months to a replacement franchisee that we approve (subject to state law).
q.	Non-competition covenants during the term of the franchise	10	You may not: divert, or attempt to divert, customers of any Hello Sugar outlet (including yours) to any competitor, participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business; do any act that could damage the goodwill of the Marks or System, or disrupt or jeopardize our business or that of our franchisees (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	17.4	For 18 months after the termination of the Franchise Agreement, you may not: divert, or attempt to divert, customers of any Hello Sugar outlet (including yours) to any competitor; participate in any capacity, including, but not limited to as an owner, investor, officer, director, employee or agent, in any competing business within twenty-five (25) miles of your former Hello Sugar outlet location or any other Hello Sugar outlet location (franchised or company owned); do any act that could damage the goodwill of the Marks or System; or disrupt or jeopardize our business or that of our franchisees (subject to state law).

	<b>Provision</b>	<b>Section in Franchise Agreement</b>	<b>Summary</b>
s.	Modification of the agreement	19.13	<p>The Franchise Agreement may not be changed except by a written document signed by both parties.</p> <p>We may change the Operations Manual and System standards at any time. You may be required to implement these changes at your own costs. We have the right to modify our Marks at any time upon written notice to you.</p>
t.	Integration/merger clause	19.13	Only the terms of the Franchise Agreement and other related written agreements, such as any exhibits to the Franchise Agreement or addenda, are binding (subject to applicable state law.) Notwithstanding the foregoing, nothing in this or any related agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u.	Dispute resolution by arbitration or mediation	17.1 and 17.2	At our option, claims that are not resolved internally may be submitted to non-binding mediation at our headquarters. Arbitration shall be settled in Maricopa County, Arizona in accordance with the Commercial Arbitration Rules of the American Arbitration Association (subject to state law).
v.	Choice of forum	18.3	Arbitration takes place in Arizona (subject to applicable state law).
w.	Choice of law	19.1	Arizona law applies (subject to applicable state law).

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**This table lists certain important provisions of the Development Agreement. You should read these provisions in the agreement attached to this disclosure document.**

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
a.	Length of the franchise term	Section 7.1 and Exhibit A	The Development Agreement will commence on the date it is fully executed and end on the earlier of (a) the last day of the calendar month that the final Hello Sugar franchise is required to be opened and operating under the Development Schedule, or (b) the day that the final Hello Sugar franchise is opened.
b.	Renewal	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by developer	Not Applicable	Area Developer may only terminate under any ground permitted by law.
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with cause	Section 7.2	We may terminate the Development Agreement with cause (subject to state law).
g.	"Cause" defined – curable defaults	Section 7.2	You will be provided with notice and 30 days to cure any default caused by your failure to meet your development obligations under the Development Schedule for any single Development Period (subject to state law).
h.	"Cause" defined - non-curable defaults	Section 7.2	Your Development Agreement can be terminated by us, without an opportunity to cure, if: (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area; (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; and (iii) if any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement (subject to state law).
i.	Franchisee's obligations on termination/ non-renewal	Not Applicable	Not Applicable
j.	Assignment of contract by franchisor	Section 9	We have the right to assign our rights under the Development Agreement

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
k.	"Transfer" by franchisee defined	Section 9	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.
l.	Franchisor approval of transfer by franchisee	Section 9	No transfer is allowed without our consent.
m.	Conditions for franchisor approval of a transfer	Section 9	Our approval of a proposed Transfer will be subject to the following conditions: (i) our satisfaction that the proposed transferee meets all of our business criteria; (ii) payment of all amounts you owe to us; (iii) you cure all defaults under the Development Agreement and any other agreement with us or our affiliates; (iv) at our option transferee signs our then-current form of franchise agreement; you or the proposed transferee pays a transfer fee per unexpired development obligation being transferred; (v) transferee completes our initial training program and pays any corresponding fees in connection with the initial training program; (vi) we determine that the proposed purchase agreement is not so burdensome to materially threaten the future of the Hello Sugar franchise; and (vii) you execute a general release to our satisfaction (subject to state law).
n.	Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o.	Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p.	Death or disability of franchisee	Not Applicable	Not Applicable
q.	Non-competition covenants during the term of the franchise	Not Applicable	Nothing additional. Please see non-competition covenants set forth in the Franchise Agreement you will sign at the same time as your Development Agreement (subject to state law).
r.	Non-competition covenants after the franchise is terminated or expires	Section 6	In the event your Development Agreement is terminated before its natural expiration for any reason, then the geographic scope of the post-term non-compete obligation set forth in the Franchise Agreement will be expanded to include the Development Area and the area comprised of the 15-mile radius around that Development Area (subject to state law).
s.	Modification of the agreement	Section 28	Your Development Agreement may not be modified, except by a writing signed by both parties .

	<b>Provision</b>	<b>Section in Development Agreement</b>	<b>Summary</b>
t.	Integration/merger clause	Section 28	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable. Nothing in this Agreement or and related agreement is intended to disclaim the representations made in the Disclosure Document
u.	Dispute resolution by arbitration or mediation	Section 13  Section 14	You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally.  At our option, all claims or disputes arising out of the Development Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters (subject to subject to state law). You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation (subject to state law).
v.	Choice of forum	Section 16	Subject to applicable state law, the Development Agreement, all claims and causes of action arising out of the Development Agreement must be initiated in Mesa, Arizona.
w.	Choice of law	Section 12	Arizona law applies (subject to applicable state law).

See the state addenda to this Franchise Disclosure Document and the Franchise Agreement and Development Agreement for special state disclosures.

**ITEM 18: PUBLIC FIGURES**

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

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## **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.

As of December 31, 2023, there were (i) 58 franchised Suites, (ii) four (4) affiliate-owned Suites, (iii) three (3) franchised Flagships, and (iv) ten (10) affiliate-owned Flagships in operation.

This Financial Performance Representation sets forth historical financial performance information in connection with (i) 17 franchised Suites, (ii) one (1) franchised Flagship, (iii) six (6) affiliate-owned Flagships, and (iv) four (4) affiliate-owned Suites.

This Financial Performance Representation excludes information in connection with (i) 29 franchised Suites that opened during the 2023 calendar year, (ii) twelve (12) franchised Suites that transferred during the 2023 calendar year where the financial books and records were inconsistent between the old owner and new owner, (iii) two (2) franchised Flagships that opened during the 2023 calendar year, (iv) three (3) affiliate-owned Flagships that opened during the 2023 calendar year, and (v) one affiliate-owned Flagship that is a non-traditional location that serves as our training center.

Part I of this Item sets forth the Gross Revenue, COGS, Admin Expenses, Fixed Costs, Advertising Spend, Marketing Management Fee, Reception Charges, Royalty Fee, Technology Fee, and Gross Revenue Less Certain Expenses for the franchised and affiliate flagships during the 2023 calendar year. Part I also sets forth the average, high, low, and median Gross Revenues for the franchised and affiliate flagships during the 2023 calendar year.

Part II of this Item sets forth the total Gross Revenue as well as the COGS, Admin Expenses, Fixed Costs, Advertising Spend, Marketing Management Fee, Reception Charges, Royalty Fee, Technology Fee, and Gross Revenue Less Certain Expenses for each franchised and affiliate flagship as a percentage of Gross Revenue during the 2023 calendar year.

Part III of this Item sets forth the Gross Revenue, COGS, Admin Expenses, Fixed Costs, Advertising Spend, Marketing Management Fee, Reception Charges, Royalty Fee, Technology Fee, and Gross Revenue Less Certain Expenses for the franchised and affiliate suites during the 2023 calendar year. Part III also sets forth the average, high, low, and median revenues for the franchised and affiliate suites during the 2023 calendar year.

Part IV of this Item sets forth the total Gross Revenue as well as the COGS, Admin Expenses, Fixed Costs, Advertising Spend, Marketing Management Fee, Reception Charges, Royalty Fee, Technology Fee, and Gross Revenue Less Certain Expenses for each franchised and affiliate suite as a percentage of Gross Revenue during the 2023 calendar year.

Part V of this Item sets forth the (i) advertising spend to revenue ratio, and (ii) advertising spend to net operating income for the franchised and affiliate flagships during the 2023 calendar year.

Part VI sets forth the total Gross Revenue, number of services performed, average ticket, and median ticket for the franchised and affiliate flagships and suites during the 2023 calendar year.

This information was reported to us by the owner(s) or managers of the (a) affiliate-owned Flagships and Suites, and (b) franchised Suites. We do not expect the outlets represented herein to differ materially from those of a new franchisee, except as otherwise set forth in this Financial Performance Representation.

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

Written substantiation of the data used in preparing these figures will be made available to you upon reasonable request. The information presented below has not been audited.

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**PART I: AVERAGE, HIGH, MEDIAN, AND LOW GROSS REVENUE AND TOTAL COGS, ADMIN EXPENSES, FIXED COSTS, AD SPEND, MARKETING MANAGEMENT FEE, RECEPTION CHARGES, ROYALTY FEE, TECHNOLOGY FEE, AND GROSS REVENUE LESS CERTAIN EXPENSES FOR THE FRANCHISED AND AFFILIATE FLAGSHIPS DURING THE 2023 CALENDAR YEAR**

Franchised and Affiliate Flagships											
Location	Opening Date	Gross Revenue	COGS	Admin Expenses	Fixed Costs	Ad Spend	Marketing Management	Reception Charges	Royalty Fee	Tech Fee	Gross Revenue Less Certain Expenses
Affiliate 1	2021-09-30	\$1,138,663	\$436,153	\$188,752	\$100,068	\$23,790	\$2,744	\$70,514	\$68,320	\$540	\$247,782
Affiliate 2	2020-02-01	\$995,773	\$346,393	\$172,213	\$69,984	\$20,680	\$2,029	\$61,626	\$59,746	\$540	\$262,560
Affiliate 3	2019-01-01	\$809,457	\$283,546	\$143,518	\$82,531	\$16,680	\$2,794	\$50,246	\$48,567	\$540	\$181,036
Affiliate 4	2023-01-01	\$706,516	\$234,453	\$130,998	\$73,414	\$14,714	\$3,402	\$43,905	\$42,391	\$540	\$162,699
Affiliate 5	2015-01-01	\$561,585	\$200,174	\$105,974	\$67,693	\$11,343	\$1,184	\$34,082	\$33,695	\$540	\$106,899
Affiliate 6	2015-01-01	\$496,693	\$175,092	\$99,747	\$59,765	\$10,293	\$1,037	\$31,007	\$29,802	\$540	\$89,411
Franchised 1	2022-03-24	\$369,600	\$134,242	\$41,141	\$34,007	\$6,369	\$1,165	\$22,679	\$23,058	\$72	\$106,867

Gross Revenue – Franchised & Affiliate Flagships	
High	\$1,138,663
Low	\$369,600
Median	\$706,516
Average	\$725,470
# Above Average	3 OF 7 (42.86%)
# Below Average	4 OF 7 (57.14%)

Gross Revenue – Affiliate Flagships	
High	\$1,138,663
Low	\$496,693
Median	\$757,987
Average	\$784,781
# Above Average	3 OF 6 (50%)
# Below Average	3 OF 6 (50%)

Gross Revenue – Franchised Flagships*	
Average	\$369,600

*\*Because only one location is included in this dataset, the Average, Median, High, and Low numbers are all the same.*

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**PART II: TOTAL GROSS REVENUE AS WELL AS COGS, ADMIN EXPENSES, FIXED COSTS, ADVERTISING SPEND, MARKETING MANAGEMENT FEE, RECEPTION CHARGES, ROYALTY FEE, TECHNOLOGY FEE, AND GROSS REVENUE LESS CERTAIN EXPENSES FOR EACH FRANCHISED AND AFFILIATE FLAGSHIP AS A PERCENTAGE OF GROSS REVENUE DURING THE 2023 CALENDAR YEAR**

<b>Franchised and Affiliate Flagships</b>											
<b>Location</b>	<b>Opening Date</b>	<b>Gross Revenue</b>	<b>COGS</b>	<b>Admin Expenses</b>	<b>Fixed Costs</b>	<b>Ad Spend</b>	<b>Marketing Management</b>	<b>Reception Charges</b>	<b>Royalty Fee</b>	<b>Tech Fee</b>	<b>Gross Revenue Less Certain Expenses</b>
<b>Affiliate 1</b>	2021-09-30	\$1,138,663	38.30%	16.58%	8.79%	2.09%	0.24%	6.19%	6.00%	0.05%	21.76%
<b>Affiliate 2</b>	2020-02-01	\$995,773	34.79%	17.29%	7.03%	2.08%	0.20%	6.19%	6.00%	0.05%	26.37%
<b>Affiliate 3</b>	2019-01-01	\$809,457	35.03%	17.73%	10.20%	2.06%	0.35%	6.21%	6.00%	0.07%	22.37%
<b>Affiliate 4</b>	2023-01-01	\$706,516	33.18%	18.54%	10.39%	2.08%	0.48%	6.21%	6.00%	0.08%	23.03%
<b>Affiliate 5</b>	2015-01-01	\$561,585	35.64%	18.87%	12.05%	2.02%	0.21%	6.07%	6.00%	0.10%	19.04%
<b>Affiliate 6</b>	2015-01-01	\$496,693	35.25%	20.08%	12.03%	2.07%	0.21%	6.24%	6.00%	0.11%	18.00%
<b>Franchised 1</b>	2022-03-24	\$369,600	36.32%	11.13%	9.20%	1.72%	0.32%	6.14%	6.24%	0.02%	28.91%

**PART III: AVERAGE, HIGH, MEDIAN, AND LOW GROSS REVENUE AND TOTAL COGS, ADMIN EXPENSES, FIXED COSTS, AD SPEND, MARKETING MANAGEMENT FEE, RECEPTION CHARGES, ROYALTY FEE, TECHNOLOGY FEE, AND GROSS REVENUE LESS CERTAIN EXPENSES FOR THE FRANCHISED AND AFFILIATE SUITES DURING THE 2023 CALENDAR YEAR**

<b>Franchised and Affiliate Suites</b>											
<b>Location</b>	<b>Opening Date</b>	<b>Gross Revenue</b>	<b>COGS</b>	<b>Admin Expenses</b>	<b>Fixed Costs</b>	<b>Ad Spend</b>	<b>Marketing Management</b>	<b>Reception Charges</b>	<b>Royalty Fee</b>	<b>Tech Fee</b>	<b>Gross Revenue Less Certain Expenses</b>
<b>Affiliate 1</b>	3/1/2019	\$390,137	\$149,717	\$69,325	\$22,057	\$8,065	\$1,467	\$24,449	\$23,408	\$540	\$91,109
<b>Affiliate 2</b>	7/24/2017	\$364,890	\$127,766	\$74,129	\$37,064	\$7,612	\$1,369	\$22,916	\$21,893	\$540	\$71,601
<b>Affiliate 3</b>	3/18/2019	\$299,685	\$114,748	\$60,936	\$21,048	\$6,233	\$1,808	\$18,899	\$17,981	\$540	\$57,493
<b>Affiliate 4</b>	8/17/2022	\$119,757	\$41,258	\$20,010	\$18,954	\$2,495	\$1,434	\$7,373	\$7,185	\$540	\$20,507
<b>Franchised 1</b>	10/7/2021	\$460,433	\$166,668	\$55,909	\$66,723	\$24,565	\$9,368	\$30,999	\$27,588	\$72	\$78,542
<b>Franchised 2</b>	1/5/2021	\$357,781	\$142,292	\$34,375	\$37,259	\$13,901	\$2,700	\$21,905	\$21,244	\$72	\$84,033
<b>Franchised 3</b>	7/31/2021	\$306,766	\$126,760	\$49,947	\$39,134	\$11,074	\$4,903	\$19,464	\$19,182	\$72	\$36,230
<b>Franchised 4</b>	4/2/2022	\$290,074	\$124,681	\$17,338	\$33,443	\$16,282	\$4,884	\$19,910	\$17,244	\$72	\$56,220
<b>Franchised 5</b>	7/31/2021	\$276,729	\$121,569	\$49,617	\$44,513	\$16,502	\$5,225	\$18,103	\$16,744	\$72	\$4,383

<b>Franchised 6</b>	10/29/2022	\$252,528	\$82,530	\$17,373	\$36,204	\$20,006	\$4,904	\$15,940	\$14,449	\$72	\$61,049
<b>Franchised 7</b>	4/2/2022	\$250,780	\$103,851	\$24,518	\$42,658	\$16,400	\$5,533	\$15,152	\$15,057	\$72	\$27,540
<b>Franchised 8</b>	7/31/2022	\$220,102	\$73,887	\$16,638	\$32,937	\$15,837	\$3,503	\$14,433	\$13,471	\$72	\$49,325
<b>Franchised 9</b>	6/4/2022	\$198,414	\$81,889	\$14,026	\$44,881	\$17,642	\$6,597	\$14,654	\$11,898	\$72	\$6,755
<b>Franchised 10</b>	7/16/2022	\$194,664	\$83,703	\$16,940	\$34,711	\$15,203	\$3,775	\$13,673	\$11,653	\$72	\$14,934
<b>Franchised 11</b>	5/14/2022	\$183,442	\$79,891	\$22,095	\$49,220	\$19,347	\$6,231	\$12,483	\$11,206	\$72	(\$17,104)
<b>Franchised 12</b>	5/24/2022	\$178,736	\$78,675	\$19,906	\$35,344	\$19,302	\$6,865	\$12,626	\$10,515	\$72	(\$4,569)
<b>Franchised 13</b>	8/27/2022	\$176,439	\$45,174	\$10,413	\$48,532	\$17,481	\$4,170	\$11,869	\$10,501	\$72	\$28,227
<b>Franchised 14</b>	10/8/2022	\$170,122	\$66,431	\$11,379	\$26,236	\$4,820	\$2,303	\$10,449	\$10,169	\$72	\$38,263
<b>Franchised 15</b>	11/1/2022	\$149,091	\$77,682	\$17,161	\$20,974	\$9,952	\$2,397	\$9,812	\$8,482	\$72	\$2,559
<b>Franchised 16</b>	8/13/2022	\$138,985	\$45,424	\$14,955	\$39,031	\$10,247	\$4,000	\$9,198	\$8,260	\$72	\$7,798
<b>Franchised 17</b>	5/24/2022	\$119,513	\$50,683	\$9,023	\$40,155	\$21,861	\$8,988	\$9,298	\$7,267	\$72	(\$27,834)

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Gross Revenue – Franchised & Affiliate Suites	
High	\$460,433
Low	\$119,513
Median	\$220,102
Average	\$242,813
# Above Average	10 OF 21 (47.62%)
# Below Average	11 OF 21 (52.38%)

Gross Revenue – Affiliate Suites	
High	\$390,137
Low	\$119,757
Median	\$332,288
Average	\$293,617
# Above Average	3 OF 4 (75%)
# Below Average	1 OF 4 (25%)

Gross Revenue – Franchised Suites	
High	\$460,433
Low	\$119,513
Median	\$198,414
Average	\$230,859
# Above Average	7 OF 17 (41.18%)
# Below Average	10 OF 17 (58.82%)

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**PART IV: TOTAL GROSS REVENUE AS WELL AS COGS, ADMIN EXPENSES, FIXED COSTS, ADVERTISING SPEND, MARKETING MANAGEMENT FEE, RECEPTION CHARGES, ROYALTY FEE, TECHNOLOGY FEE, AND GROSS REVENUE LESS CERTAIN EXPENSES FOR EACH FRANCHISED AND AFFILIATE SUITE AS A PERCENTAGE OF GROSS REVENUE DURING THE 2023 CALENDAR YEAR**

<b>Franchised and Affiliate Suites</b>											
<b>Location</b>	<b>Opening Date</b>	<b>Gross Revenue</b>	<b>COGS</b>	<b>Admin Expenses</b>	<b>Fixed Costs</b>	<b>Ad Spend</b>	<b>Marketing Management</b>	<b>Reception Charges</b>	<b>Royalty Fee</b>	<b>Tech Fee</b>	<b>Gross Revenue Less Certain Expenses</b>
<b>Affiliate 1</b>	3/1/2019	\$390,137	38.38%	17.77%	5.65%	2.07%	0.38%	6.27%	6.00%	0.14%	23.35%
<b>Affiliate 2</b>	7/24/2017	\$364,890	35.01%	20.32%	10.16%	2.09%	0.38%	6.28%	6.00%	0.15%	19.62%
<b>Affiliate 3</b>	3/18/2019	\$299,685	38.29%	20.33%	7.02%	2.08%	0.60%	6.31%	6.00%	0.18%	19.18%
<b>Affiliate 4</b>	8/17/2022	\$119,757	34.45%	16.71%	15.83%	2.08%	1.20%	6.16%	6.00%	0.45%	17.12%
<b>Franchised 1</b>	10/7/2021	\$460,433	36.20%	12.14%	14.49%	5.34%	2.03%	6.73%	6.00%	0.02%	17.06%
<b>Franchised 2</b>	1/5/2021	\$357,781	39.77%	9.61%	10.41%	3.89%	0.75%	6.12%	6.00%	0.02%	23.49%
<b>Franchised 3</b>	7/31/2021	\$306,766	41.32%	16.28%	12.76%	3.61%	1.60%	6.34%	6.00%	0.02%	11.81%
<b>Franchised 4</b>	4/2/2022	\$290,074	42.98%	5.98%	11.53%	5.61%	1.68%	6.86%	6.00%	0.02%	19.38%
<b>Franchised 5</b>	7/31/2021	\$276,729	43.93%	17.93%	16.09%	5.96%	1.89%	6.54%	6.00%	0.03%	1.58%

<b>Franchised 6</b>	10/29/2022	\$252,528	32.68%	6.88%	14.34%	7.92%	1.94%	6.31%	6.00%	0.03%	24.18%
<b>Franchised 7</b>	4/2/2022	\$250,780	41.41%	9.78%	17.01%	6.54%	2.21%	6.04%	6.00%	0.03%	10.98%
<b>Franchised 8</b>	7/31/2022	\$220,102	33.57%	7.56%	14.96%	7.20%	1.59%	6.56%	6.00%	0.03%	22.41%
<b>Franchised 9</b>	6/4/2022	\$198,414	41.27%	7.07%	22.62%	8.89%	3.32%	7.39%	6.00%	0.04%	3.40%
<b>Franchised 10</b>	7/16/2022	\$194,664	43.00%	8.70%	17.83%	7.81%	1.94%	7.02%	6.00%	0.04%	7.67%
<b>Franchised 11</b>	5/14/2022	\$183,442	43.55%	12.04%	26.83%	10.55%	3.40%	6.80%	6.00%	0.04%	(9.32%)
<b>Franchised 12</b>	5/24/2022	\$178,736	44.02%	11.14%	19.77%	10.80%	3.84%	7.06%	6.00%	0.04%	(2.56%)
<b>Franchised 13</b>	8/27/2022	\$176,439	25.60%	5.90%	27.51%	9.91%	2.36%	6.73%	6.00%	0.04%	16.00%
<b>Franchised 14</b>	10/8/2022	\$170,122	39.05%	6.69%	15.42%	2.83%	1.35%	6.14%	6.00%	0.04%	22.49%
<b>Franchised 15</b>	11/1/2022	\$149,091	52.10%	11.51%	14.07%	6.68%	1.61%	6.58%	6.00%	0.05%	1.72%
<b>Franchised 16</b>	8/13/2022	\$138,985	32.68%	10.76%	28.08%	7.37%	2.88%	6.62%	6.00%	0.05%	5.61%
<b>Franchised 17</b>	5/24/2022	\$119,513	42.41%	7.55%	33.60%	18.29%	7.52%	7.78%	6.00%	0.06%	(23.29%)

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**PART V: ADVERTISING SPEND TO GROSS REVENUE RATIO AND ADVERTISING SPEND TO GROSS REVENUE LESS CERTAIN EXPENSES RATIO FOR THE FRANCHISED AND AFFILIATE FLAGSHIPS DURING THE 2023 CALENDAR YEAR.**

<b>Ad Spend, Revenue, and Gross Revenue Less Certain Expenses for Franchised and Affiliate Flagships</b>		
<b>Average Ad Spend</b>	<b>Average Gross Revenue</b>	<b>Average Gross Revenue Less Certain Expenses</b>
\$103,869	\$5,078,287	\$1,157,254

<b>Ad Spend Ratio for Franchised and Affiliate Flagships</b>		
<b>\$1 of Ad Spend =</b>	<b>Average Gross Revenue</b>	<b>Average Gross Revenue Less Certain Expenses</b>
	\$48.89	\$11.14

<b>Franchised and Affiliate Flagships</b>						
<b>Location</b>	<b>Opening Date</b>	<b>Ad Spend</b>	<b>Gross Revenue</b>	<b>Gross Revenue Less Certain Expenses</b>	<b>Ad Spend to Gross Revenue</b>	<b>Ad Spend to Gross Revenue Less Certain Expenses</b>
<b>Affiliate 1</b>	2021-09-30	\$24,565	\$1,138,663	\$247,782	\$46.35	\$10.09
<b>Affiliate 2</b>	2020-02-01	\$8,065	\$995,773	\$262,560	\$123.47	\$32.56
<b>Affiliate 3</b>	2019-01-01	\$7,612	\$809,457	\$181,036	\$106.34	\$23.78
<b>Affiliate 4</b>	2023-01-01	\$13,901	\$706,516	\$162,699	\$50.82	\$11.70
<b>Affiliate 5</b>	2015-01-01	\$11,074	\$561,585	\$106,899	\$50.71	\$9.65
<b>Affiliate 6</b>	2015-01-01	\$16,282	\$496,693	\$89,411	\$30.51	\$5.49
<b>Franchised 1</b>	2022-03-24	\$16,502	\$369,600	\$106,867	\$22.40	\$6.48

Franchised and Affiliate Flagships		
	Ad Spend to Gross Revenue	Ad Spend to Gross Revenue Less Certain Expenses
High	\$123.47	\$32.56
Low	\$22.40	\$5.49
Median	\$50.71	\$10.09
Average	\$48.89	\$11.14
# Above Average	4 OF 7	3 OF 7
# Below Average	3 OF 7	4 OF 7

Affiliate Flagships		
	Ad Spend to Gross Revenue	Ad Spend to Gross Revenue Less Certain Expenses
High	\$123.47	\$32.56
Low	\$30.51	\$5.49
Median	\$50.77	\$10.90
Average	\$68.03	\$15.55
# Above Average	2 OF 6	2 OF 6
# Below Average	4 OF 6	4 OF 6

Franchised Flagships*		
	Ad Spend to Gross Revenue	Ad Spend to Gross Revenue Less Certain Expenses
Average	\$22.40	\$6.48

*\*Because only one location is included in this dataset, the Average, Median, High, and Low numbers are all the same.*

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**PART VI: TOTAL REVENUE, NUMBER OF SERVICES, AVERAGE TICKET, AND MEDIAN TICKET FOR EACH AFFILIATE AND FRANCHISED FLAGSHIP AND SUITE DURING THE 2023 CALENDAR YEAR.**

<b>Franchised and Affiliate Flagships</b>					
<b>Location</b>	<b>Opening Date</b>	<b>Gross Revenue</b>	<b>Number of Services</b>	<b>Average Ticket</b>	<b>Median Ticket</b>
<b>Affiliate 1</b>	2021-09-30	\$1,138,663	24,189	\$47	\$52
<b>Affiliate 2</b>	2020-02-01	\$995,773	17,889	\$56	\$52
<b>Affiliate 3</b>	2019-01-01	\$809,457	13,181	\$61	\$52
<b>Affiliate 4</b>	2023-01-01	\$706,516	10,785	\$66	\$52
<b>Affiliate 5</b>	2015-01-01	\$561,585	8,996	\$62	\$52
<b>Affiliate 6</b>	2015-01-01	\$496,693	8,238	\$60	\$52
<b>Franchised 1</b>	2022-03-24	\$369,600	6,382	\$58	\$52
<b>Total</b>		<b>\$5,078,287</b>	<b>89,660</b>	<b>\$57</b>	<b>\$52</b>

<b>Franchised and Affiliate Suites</b>					
<b>Location</b>	<b>Opening Date</b>	<b>Gross Revenue</b>	<b>Number of Services</b>	<b>Average Ticket</b>	<b>Median Ticket</b>
<b>Affiliate 1</b>	3/1/2019	\$390,137	6,412	\$61	\$52
<b>Affiliate 2</b>	7/24/2017	\$364,890	5,883	\$62	\$52
<b>Affiliate 3</b>	3/18/2019	\$299,685	5,078	\$59	\$52
<b>Affiliate 4</b>	8/17/2022	\$119,757	2,548	\$47	\$52
<b>Franchised 1</b>	10/7/2021	\$460,433	7,939	\$58	\$58
<b>Franchised 2</b>	1/5/2021	\$357,781	6,288	\$57	\$52
<b>Franchised 3</b>	7/31/2021	\$306,766	5,035	\$61	\$58
<b>Franchised 4</b>	4/2/2022	\$290,074	5,403	\$54	\$52

<b>Franchised 5</b>	7/31/2021	\$276,729	4,821	\$57	\$58
<b>Franchised 6</b>	10/29/2022	\$252,528	4,221	\$60	\$58
<b>Franchised 7</b>	4/2/2022	\$250,780	4,350	\$58	\$58
<b>Franchised 8</b>	7/31/2022	\$220,102	3,800	\$58	\$52
<b>Franchised 9</b>	6/4/2022	\$198,414	3,918	\$51	\$52
<b>Franchised 10</b>	7/16/2022	\$194,664	3,424	\$57	\$52
<b>Franchised 11</b>	5/14/2022	\$183,442	3,305	\$56	\$58
<b>Franchised 12</b>	5/24/2022	\$178,736	3,030	\$59	\$52
<b>Franchised 13</b>	8/27/2022	\$176,439	3,016	\$59	\$52
<b>Franchised 14</b>	10/8/2022	\$170,122	2,905	\$59	\$52
<b>Franchised 15</b>	11/1/2022	\$149,091	2,618	\$57	\$52
<b>Franchised 16</b>	8/13/2022	\$138,985	2,334	\$60	\$52
<b>Franchised 17</b>	5/24/2022	\$119,513	2,017	\$59	\$52
<b>Total</b>		<b>\$5,099,068</b>	<b>88,345</b>	<b>\$58</b>	<b>\$52</b>

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### **Notes to Item 19:**

1. **Average.** “Average” means the sum of all data points in a set, divided by the number of data points in that set.
2. **Median.** “Median” means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.
3. **Gross Revenue.** “Gross Revenue” includes all sales of every kind and nature at or from each location, regardless of whether the location collected the amount of the sales. “Gross Revenue” does not include (i) any sales tax or similar taxes collected from customers and turned over to the governmental authority imposing the tax, (ii) properly documented refunds to customers, (iii) properly documented promotional discounts (i.e., coupons), and (iv) Tips. Gross Revenue does not include gift card purchases at the time of purchase, but Gross Revenue does include the redemption amount of purchases made by gift card.
4. **COGS.** “COGS” includes all amounts that each location spent in connection providing the approved products and approved services, including wax and sugar supplies, products, and labor.
5. **Admin Expenses.** “Admin Expenses” means the amount each location spent in connection with meals & entertainment, office expenses, office supplies, taxes and licenses, and merchant fees.
6. **Fixed Costs.** “Fixes Costs” includes amounts each location spent in connection with rent and software expenses (messaging software, email & storage, texting, and television management).
7. **Ad Spend.** “Ad Spend” means the amount each location spent in connection with its digital Local Marketing and Advertising. Under our current form of Franchise Agreement, franchisees are obligated to spend at least \$350 per month on Local Marketing and Advertising.
8. **Marketing Management.** “Marketing Management” means the amount each location spent in connection with engaging either a third-party or our affiliate to provide marketing and advertising services. If you engage our affiliate to provide these services, our affiliate currently charges \$7.50 per completed appointment of newly acquired customers. This line item also includes costs in connection with the Email and Text Remarketing Fee of \$3.50 per Completed Appointment, plus \$60 per location per month and the Website Popup Fee of 10% of the revenue value per booked appointment.

9. **Reception Charges.** “Reception Charges” means the amount each location spent in connection with reception services. The Reception Fee is currently \$3.25 per serviced appointment.
10. **Royalty Fee.** “Royalty Fee” is calculated by taking the Gross Revenue and multiplying that amount by .06 to represent the six percent (6%) Royalty Fee. The affiliate-owned locations do not pay a royalty fee, so this amount is calculated for the affiliate locations by multiplying the Gross Revenue for the affiliate-owned locations by .06 to represent the six percent (6%) Royalty Fee.
11. **Technology Fee.** “Technology Fee” for the franchised locations means the amount that each franchised location paid during the 2023 calendar year. “Technology Fee” for the affiliate-owned locations means the amount that each affiliate-owned location would have paid if that affiliate-owned location was required to pay our current Technology Fee charged under the 2024 Franchise Agreement, which is currently \$45 per month.
12. **Gross Revenue Less Certain Expenses.** “Gross Revenue Less Certain Expenses” is calculated by taking Gross Revenue and subtracting COGS, Admin Expenses, Fixed Costs, Ad Spend, Marketing Management, Reception Charges, Royalty, and the Technology Fee.
13. Consistent with NASAA’s Franchise Commentary on Financial Performance Representations, the definition of a “company-owned outlet” includes any such outlet that (i) is operated as a joint venture owned in part by a franchisor, by an affiliate of the franchisor, or by a person required to be identified in Item 2; and (ii) is managed by the franchisor, an affiliate of the franchisor, or by a person required to be identified in Item 2. Although Franchised Suite Locations 4, 7, 9, 10, 11, 15, and 16 would not be our affiliate since they are not controlled by, controlling, or under common control with us, Franchised Suite Locations 4, 7, 9, 10, 11, 15, and 16 are owned and operated by Item 2 individuals pursuant to a franchise agreement with us.

Other than the preceding financial performance representation, 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. 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 Brigham Dallas at 151 N. Centennial Way, Mesa, Arizona 85201 or 602-737-0406, the Federal Trade Commission, and any appropriate state regulatory agencies.



**ITEM 20: OUTLETS AND FRANCHISEE INFORMATION**

**OUTLET SUMMARY FOR SUITES**

**Table No. 1(A)**  
**System-wide Outlet Summary**  
**For Years 2021 to 2023**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2021	0	7	+7
	2022	7	29	+22
	2023	29	58	+29
Company – Owned*	2021	4	6	+2
	2022	6	8	+2
	2023	8	4	-4
<b>Total Outlets</b>	<b>2021</b>	<b>4</b>	<b>13</b>	<b>+9</b>
	<b>2022</b>	<b>13</b>	<b>37</b>	<b>+25</b>
	<b>2023</b>	<b>37</b>	<b>62</b>	<b>+25</b>

\* Company-owned outlets are operated by our affiliates.

**Table No. 2(A)**  
**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2021 to 2023**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
Florida	2021	0
	2022	0
	2023	3
North Carolina	2021	0
	2022	0
	2023	4
Texas	2021	0
	2022	0
	2023	4
Utah	2021	0
	2022	0
	2023	2
<b>Total</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>13</b>

**Table No. 3(A)**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Termination s	Column 6 Non- renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
AZ	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	1*	1
	2023	1	1	0	0	0	0	2
CO	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	2	0	0	0	0	5
FL	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	4	0	0	0	0	6
GA	2021	0	0	0	0	0	0	0
	2022	0	3	0	0	0	0	3
	2023	3	1	0	0	0	1	3
ID	2021	0	2	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	1*	0
KS	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	0	2
MO	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	1	0	0	0	1	1
NC	2021	0	0	0	0	0	0	0
	2022	0	5	0	0	0	0	5
	2023	5	2	0	0	0	1*	6
NJ	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
NV	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	3	0	0	0	0	5
OR	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
TN	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	2	0	0	0	0	3
TX	2021	0	3	0	0	0	0	3
	2022	3	4	0	0	0	0	7
	2023	7	12	0	0	0	0	19

<b>UT</b>	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	1	0	0	0	0	3
<b>VA</b>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>0</b>	<b>7</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>
	<b>2022</b>	<b>7</b>	<b>24</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>29</b>
	<b>2023</b>	<b>29</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>58</b>

\*These outlets converted from a Suite to a Flagship

**Table No. 4(A)**  
**Status of Company Owned Outlets**  
**For Years 2021 to 2023**

<b>Col. 1 State</b>	<b>Col. 2 Year</b>	<b>Col. 3 Outlets at Start of Year</b>	<b>Col. 4 Outlets Opened</b>	<b>Col. 5 Outlets Reacquired from Franchisees</b>	<b>Col. 6 Outlets Closed</b>	<b>Col. 7 Outlets Sold to Franchisees</b>	<b>Col. 8 Outlets at End of the Year</b>
<b>AZ</b>	2021	4	0	0	0	0	4
	2022	4	2	0	0	0	6
	2023	6	1	0	3*	0	4
<b>TN</b>	2021	0	3	0	1	0	2
	2022	2	0	0	0	0	2
	2023	2	0	0	0	2	0
<b>Total</b>	<b>2021</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>6</b>
	<b>2022</b>	<b>6</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8</b>
	<b>2023</b>	<b>8</b>	<b>1</b>	<b>0</b>	<b>3*</b>	<b>2</b>	<b>4</b>

Company-owned stores are operated by affiliated entities.

\*These outlets converted from a Suite to a Flagship

**Table No. 5(A)**  
**Projected Openings as of December 31, 2023**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Column 4 Projected New Company Owned Outlets in the Next Fiscal Year</b>
Connecticut	1	1	0
Illinois	0	1	0
Maryland	0	1	0
Minnesota	0	1	0
Missouri	0	1	0
Nevada	0	1	0
North Carolina	0	1	0

Ohio	0	1	0
Tennessee	1	1	0
Texas	1	2	0
Utah	0	1	0
Washington	0	1	0
<b>Total</b>	<b>3</b>	<b>13</b>	<b>0</b>

\* Company-owned stores are operated by affiliated entities.

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## OUTLET SUMMARY FOR FLAGSHIPS

**Table No. 1(B)**  
**System-wide Outlet Summary**  
**For Years 2021 to 2023**

<b>Column 1 Outlet Type</b>	<b>Column 2 Year</b>	<b>Column 3 Outlets at the Start of the Year</b>	<b>Column 4 Outlets at the End of the Year</b>	<b>Column 5 Net Change</b>
Franchised	2021	0	0	0
	2022	0	1	+1
	2023	1	3	+2
Company – Owned*	2021	4	5	+1
	2022	5	6	+1
	2023	6	10	+4
<b>Total Outlets</b>	<b>2021</b>	<b>4</b>	<b>5</b>	<b>+1</b>
	<b>2022</b>	<b>5</b>	<b>7</b>	<b>+2</b>
	<b>2023</b>	<b>7</b>	<b>13</b>	<b>+6</b>

\* Company-owned outlet is operated by our affiliate.

**Table No. 2(B)**  
**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2021 to 2023**

<b>Column 1 State</b>	<b>Column 2 Year</b>	<b>Column 3 Number of Transfers</b>
<b>Total</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

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**Table No. 3(B)**  
**Status of Franchised Outlets**  
**For Years 2021 to 2023**

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non- renewals	Column 7 Reacquire d by Franchisor	Column 8 Ceased Operations - Other Reasons	Column 9 Outlets at End of the Year
<b>AZ</b>	2021	0	0	0	0	0	0	0
	2022	0	1*	0	0	0	0	1
	2023	1	0	0	0	0	0	0
<b>ID</b>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1*	0	0	0	0	1
<b>NC</b>	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	1*	0	0	0	0	1
<b>Total</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>1*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
	<b>2023</b>	<b>1</b>	<b>2*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

\*These outlets converted from Suites to Flagships

**Table No. 4(B)**  
**Status of Company Owned\* Outlets**  
**For Years 2021 to 2023**

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisees	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
<b>AZ</b>	2021	4	1	0	0	0	5
	2022	5	1	0	0	0	6
	2023	6	4	0	0	0	10
<b>Total</b>	<b>2021</b>	<b>4</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>
	<b>2022</b>	<b>5</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6</b>
	<b>2023</b>	<b>6</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10</b>

\* Company-owned stores are operated by affiliated entities.

**Table No. 5(B)**  
**Projected Openings as of December 31, 2023**

<b>Column 1 State</b>	<b>Column 2 Franchise Agreements Signed But Outlet Not Opened</b>	<b>Column 3 Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Column 4 Projected New Company Owned Outlets in the Next Fiscal Year</b>
Arizona	0	0	2
Colorado	0	1	0
Illinois	0	1	0
Kansas	0	1	0
Nevada	0	1	0
Texas	0	1	0
Utah	0	1	0
Virginia	0	1	0
<b>Total</b>	<b>0</b>	<b>7</b>	<b>2</b>

\* Company-owned stores are operated by affiliated entities.

A list of the names and contact information for all current franchisees is set forth in Exhibit F to this Franchise Disclosure Document. A list of the names and contact information for every former franchisee who has had a Franchise Agreement terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed physical year or who has not communicated with us within ten weeks of the Issuance Date of this Disclosure Document is also listed in Exhibit F to this Franchise Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. We are not currently selling any previously owned outlet under our control.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Hello Sugar franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific organizations formed by our franchisees that are associated with the System.

#### **ITEM 21: FINANCIAL STATEMENTS**

Hello Sugar Franchise, LLC, was formed on May 24, 2021. Included in Exhibit D are our audited financial statements as of December 31, 2023, December 31, 2022, and May 24, 2021, through December 31, 2021. Also included in Exhibit D is our unaudited balance sheet and unaudited profit and loss statement as of July 31, 2024.

Our fiscal year end is December 31.

#### **ITEM 22: CONTRACTS**

Copies of all proposed agreements regarding the franchise offering are included as exhibit to this Disclosure Document. These include:

EXHIBIT B: Franchise Agreement

- Exhibit 1: Territory Rights and Franchisee Information
- Exhibit 2: Collateral Assignment of Lease
- Exhibit 3: Insurance Coverage Requirements
- Exhibit 4: Automatic Debit (ACH) Authorization Agreement
- Exhibit 5: Personal Guaranty
- Exhibit 6: Form of Confidentiality and Non-Competition Agreement
- Exhibit 7: Conditional Assignment of Telephone Numbers and Domain Names
- Exhibit 8: Franchisee Questionnaire
- Exhibit 9: Option Agreement

EXHIBIT C: Area Development Agreement

EXHIBIT D: Financial Statements of Hello Sugar Franchise, LLC

EXHIBIT E: Operations Manual Table of Contents

EXHIBIT F: List of Franchisees

EXHIBIT G: State Addenda

EXHIBIT H: Sample Form of General Release

EXHIBIT I: State Effective Dates

EXHIBIT J: Receipts

**ITEM 23:      RECEIPT**

A receipt in duplicate is attached to this Disclosure Document as Exhibit J. You should sign both copies of the receipt. Keep one copy for your own records and return the other signed copy to Brigham Dallas, Hello Sugar Franchise, LLC, 151 N. Centennial Way, Mesa, Arizona 85201.



## EXHIBIT A

### AGENCIES/AGENTS FOR SERVICE OF PROCESS

This list includes the names, addresses and telephone numbers of state agencies having responsibility for franchising disclosure/registration laws, and serving as our agents for service of process (to the extent that we are registered in their states). This list also includes the names, addresses and telephone numbers of other agencies, companies or entities serving as our agents for service of process.

State	State Agency	Agent for Service of Process
CALIFORNIA	Commissioner of the Department of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West 4 <sup>th</sup> Street, Suite 750 Los Angeles, CA 90013 (213) 576-7505 Toll-free (866-275-2677)	Commissioner of the Department of Financial Protection and Innovation
CONNECTICUT	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230	Banking Commissioner
HAWAII	Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722	Commissioner of Securities of the State of Hawaii
ILLINOIS	Office of Attorney General Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General
INDIANA	Indiana Secretary of State Securities Division 302 West Washington St., Room E-111 Indianapolis, IN 46204 (317) 232-6681	Indiana Secretary of State 201 State House Indianapolis, IN 46204
MARYLAND	Office of the Attorney General Division of Securities 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit 670 Law Building Lansing, MI 48913 (517) 373-7117	Michigan Department of Commerce, Corporations and Securities Bureau

<b>State</b>	<b>State Agency</b>	<b>Agent for Service of Process</b>
MINNESOTA	Minnesota Department of Commerce 85 7 <sup>th</sup> Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1500	Minnesota Commissioner of Commerce
NEW YORK	Office of the New York State Attorney General Investor Protection Bureau 28 Liberty Street, 21 <sup>st</sup> Floor New York, NY 10005 (212) 416-8211 Phone (212) 416-6042 Fax	Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6 <sup>th</sup> Floor Albany, NY 11231-0001 (518) 473-2492
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard, 5 <sup>th</sup> Floor Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Labor and Industries Building Salem, Oregon 97310 (503) 378-4387	Director of the Department of Consumer and Business Services
RHODE ISLAND	Department of Business Regulation Division of Securities 1511 Pontiac Avenue, Building 69-1 Cranston, RI 02920 (401) 462-9585	Director of Rhode Island Department of Business Regulation
SOUTH DAKOTA	Division of Insurance Securities Regulation 124 South Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563	Director of Insurance-Securities Regulation
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 <sup>th</sup> Floor Richmond, VA 23219 (804) 371-9051	Clerk of State Corporation Commission 1300 East Main Street, 1 <sup>st</sup> Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Director of Washington Financial Institutions Securities Division 150 Israel Road, SW Tumwater, WA 98501
WISCONSIN	Wisconsin Securities Commissioner Securities and Franchise Registration 345 W. Washington Avenue Madison, WI 53703 (608) 266-8559	Commissioner of Securities of Wisconsin

**EXHIBIT B**  
**FRANCHISE AGREEMENT**

# **Hello Sugar Franchise, LLC**

## **Franchise Agreement**

Franchisee:

---

Date of Agreement:

---

City and State of Franchise Location:

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# Table of Contents

Index of Defined Terms .....	ix
Background .....	2
Article I: Grant of Franchise .....	5
1. Franchise License .....	5
1.1 Grant of Franchise License .....	5
1.2 Site Selection Area; Approved Location .....	5
1.3 Suites and Flagships.....	5
1.4 Relocation; Upgrade from Suite to Flagship; Option to Develop Suite while Developing Flagship.....	6
Article II: Territory Rights .....	8
2. Territory Rights and Exclusivity .....	8
2.1 Franchisee’s Territory Rights.....	8
2.2 Franchisor Rights That May Affect Franchisee’s Territory .....	8
Article III: Term of Agreement.....	10
3. Term of Agreement .....	10
3.1 Renewal .....	10
Article IV: Fees.....	11
4. Initial Franchise Fee and Royalty Fee .....	11
4.1 Initial Franchise Fee .....	11
4.2 Royalty Fee .....	12
4.3 Technology Fee .....	14
4.4 Reception Fee .....	14
4.5 Initial Training Fee .....	15
4.6 Additional Training Fee .....	15
4.7 Advertising Fees.....	15
4.8 Brand Fund .....	16
4.9 Software Fee .....	19

4.10	Interest on Late Payments and Dishonored Check Fees .....	19
4.11	Application of Payments and Right of Set Off .....	19
4.12	Renewal Fee.....	20
4.13	Transfer Fee .....	20
4.14	Customer Dispute Resolution Fee .....	20
4.15	Method of Payment.....	20
4.16	Reciprocity Rate Adjustments .....	20
Article V: Training and Assistance .....		21
5.	Training.....	21
5.1	Initial Management Training Program.....	21
5.2	Esthetician Training.....	22
5.3	Esthetician Recertification Course.....	23
5.4	Additional Training and Programs .....	24
5.5	Operations Manual .....	25
5.6	On-Site Remedial Training .....	25
5.7	Franchise Counseling and Assistance .....	25
5.8	Delegation of Performance .....	26
Article VI: Site Selection, Lease of Site, and Opening of the Franchised Business.....		26
6.	Site Selection, Construction, and Opening .....	26
6.1	Approval of a Proposed Site. ....	26
6.2	Executing the Lease .....	27
6.3	Finalizing Territory Rights .....	27
6.4	Construction .....	28
6.5	Franchised Business Design Package.....	28
6.6	Time to Open.....	29
6.7	Computer System, Point-of-Sale Compliance, Customer Re- Engagement Services, and Legal Requirements for Merchants.....	30
6.8	Limited Relocation .....	32

Article VII: Franchisor’s Obligations .....	32
7. Franchisor Services .....	32
7.1 Site Selection Guidelines .....	33
7.2 Construction .....	33
7.3 Operations Manual .....	33
7.4 Inspection .....	33
7.5 Pre-Opening Requirements .....	33
7.6 Advertising Materials.....	34
7.7 List of Suppliers.....	34
7.8 Training .....	34
7.9 On-Going Assistance.....	34
Article VIII: Franchisee’s Representations, Warranties, and Covenants .....	34
8. Promises of the Franchisee .....	34
8.1 Best Efforts.....	34
8.2 Corporation Representations .....	35
8.3 Personal Supervision .....	35
8.4 Legal Compliance.....	37
8.5 Adherence to Contracts with Third Parties .....	37
8.6 Claims and Potential Claims .....	38
8.7 Continuing Obligations .....	38
Article IX: Confidential Information .....	38
9. Confidential Information.....	38
9.1 Confidential Information Defined.....	38
9.2 Franchisee’s Obligations Regarding Confidential Information .....	39
9.3 Trademarks .....	41
Article X: Exclusive Relationship.....	45
10. Franchisee Deals Exclusively with Franchisor .....	45
10.1 Exclusivity .....	45
Article XI: Operating the Franchised Business .....	46

11. Operating Principal and General Manager .....	46
11.1 Operating Principal .....	46
11.2 General Manager .....	46
11.3 Maintenance of the Franchised Business and System .....	47
11.4 Services and Products Franchisee Offers at Its Franchised Business .....	49
11.5 Approved Products, Distributors, and Suppliers .....	49
11.6 Compliance with Laws and Good Business Practices .....	50
11.7 Insurance .....	51
11.8 Maximum and Minimum Prices .....	52
11.9 Compliance with Mandatory System Standards .....	52
Article XII: Digital Media .....	53
12. Websites, Interactive Media, and Social Media .....	53
12.1 Franchise Website .....	53
12.2 Social Media .....	55
Article XIII: Inspections and Audits .....	55
13. Franchisor's Right to Inspect and Audit .....	55
13.1 Franchisor's Right to Inspect .....	55
13.2 Franchisor's Right to Audit .....	56
Article XIV: Transfer Rights .....	57
14. Transfers of Ownership .....	57
14.1 Franchisor Transfer of Ownership .....	57
14.2 Franchisee Transfer of Ownership .....	57
14.3 Conditions for Approval of Transfer .....	57
14.4 Transfer to Entity Principally Controlled by Same Owners .....	60
14.5 Transfers Upon Death or Disability .....	61
14.6 Effect of Consent to Transfer .....	62
14.7 Franchisor's Right of First Refusal .....	62
Article XV: Rights in Default .....	64



15. Rights in Default, Including Termination of Agreement .....	64
15.1 Termination for Insolvency .....	64
15.2 Immediate Termination for Uncurable Defaults.....	65
15.3 Termination After 10-Day Cure Period .....	67
15.4 Termination After 30-Day Cure Period .....	68
15.5 Remedies Available Upon Default .....	68
Article XVI: Rights and Obligations Upon Termination .....	70
16. Parties' Rights and Obligations After Termination .....	70
16.1 Payment of Amounts Owed .....	70
16.2 De-Identification .....	71
16.3 Confidential Information and Customer Information .....	72
16.4 Covenant Not to Compete.....	72
16.5 Franchisor's Rights to Purchase Franchisee's Franchised Business .....	73
16.6 Continuing Obligations .....	74
Article XVII: Relationship of the Parties/Indemnification .....	75
17. Party Relationships.....	75
17.1 Franchisee Is an Independent Business Owner.....	75
17.2 No Liability for Acts of Other Party.....	75
17.3 Taxes .....	76
17.4 Indemnification .....	76
17.5 Franchisee Advisory Council.....	78
Article XVIII: Dispute Resolution .....	78
18. Dispute Resolution .....	78
18.1 Internal Dispute Resolution.....	78
18.2 Mediation .....	79
18.3 Arbitration .....	79
18.4 Exceptions.....	80
18.5 Venue.....	81

18.6 Franchisee’s Waiver of Important Rights.....	81
Article XIX: Construction and Enforcement .....	81
19. General Agreement Provisions .....	81
19.1 Governing Law .....	81
19.2 Consent to Jurisdiction .....	82
19.3 Severability .....	82
19.4 Waiver of Obligations .....	82
19.5 Attorney’s Fees and Costs to Prevailing Party .....	83
19.6 No Right to Withhold Payments .....	83
19.7 Parties’ Rights Are Cumulative .....	83
19.8 Notice Requirements.....	84
19.9 Consent to Do Business Electronically.....	84
19.10 Counterparts.....	84
19.11 Survival .....	84
19.12 Binding Effect.....	84
19.13 Entire Agreement, Revocation of Prior Agreements, and Construction .....	85
19.14 Force Majeure .....	86
19.15 Limited Liability for Related Parties.....	87
19.16 Delivery of Notices and Payments.....	87
19.17 Franchisee Acknowledgments.....	88
Exhibit 1: Territory Rights and Franchisee Information .....	A
Exhibit 2: Collateral Assignment of Lease .....	C
Exhibit 3: Current Insurance Coverage Requirements .....	E
Exhibit 4: Automatic Debit (ACH) Authorization Agreement.....	H
Exhibit 5: Personal Guaranty.....	J
Exhibit 6: Form of Confidentiality and Non-Competition Agreement .....	U
Exhibit 7: Conditional Assignment of Telephone Numbers, Social Media Pages, and Domain Names .....	Z
Exhibit 8: Franchisee Questionnaire .....	BB

Exhibit 9: Option Agreement .....	FF
-----------------------------------	----

## Index of Defined Terms

Additional Programs .....	24	Gift Cards and Promotions.....	3
Additional Training Fee .....	15	Gross Revenue .....	12
Affiliate .....	86	Gross Revenue Report .....	13
Agreement.....	1	Franchised Business.....	2
Approved Location .....	5	Indemnified Parties.....	76
Brand Fund .....	16	Initial Franchise Fee .....	11
Buildout Conformance Review Protocolsp	30	Initial Management Training Program .....	21
Business Hours .....	3	Initial Trainees.....	21
Business Management System Fee .....	24	Initial Training Fee.....	15
Business Valuation.....	74	Innovations .....	40
Captive Venue.....	9	Laser Training.....	23
Certified Trainer .....	22	Local Marketing and Advertising .....	16
Competitive Business .....	46	Losses.....	78
Computer System .....	30	Marketing .....	3
Confidential Information .....	38	Marks .....	2
Construction Management and Oversight		MCR Training.....	3
Review Fee.....	15	Membership .....	3
Control.....	86	Membership Agreements .....	3
Cross-Location Redemption.....	21	No-Competition Period.....	73
Customer Data.....	41	Nominated Esthetician .....	23
Customer Service.....	3	Offer .....	63
Data-Driven Research .....	4	Opening Day .....	15
Design Packages .....	3	Operating Assets.....	28
Disability .....	61	Operating Principal .....	46
Dress Code.....	2	Operations .....	2
Effective Date.....	1	Operations Manual .....	2
Electronic Payment Requirements .....	32	Other Operating Standards.....	4
Employee Qualifications .....	3	Owner(s) .....	57
Esthetician Recertification Course.....	24	Payment Processing.....	3
Esthetician Services .....	22	PCIDSS.....	32
Esthetician Training .....	22	Person .....	86
FACTA.....	32	POS System .....	13
Flagship.....	6	Preferred Bookkeeper.....	13
Franchised Business.....	2	Products.....	29
Franchisee .....	1	Qualified Franchisees.....	2
Franchisor .....	1	Reception Fee .....	14
Franchisor’s Timeline for Growth .... Exhibit 2		Reception Services.....	15
General Manager.....	46	Reception Vendors.....	15

Reciprocity Rate Adjustment .....	21	System .....	4
Recordkeeping .....	3	System Standards.....	4
Regional Cooperative .....	17	Technology.....	14
Renewal Fee .....	20	Technology Fee .....	14
Research and Development .....	3	Term .....	10
Retail Sales.....	3	Territory .....	8
Royalty .....	12	Territory Conditions .....	8
Security Breach.....	31	Trainer-Training .....	23
Site Selection Area.....	5	Training .....	2
Social Media .....	55	Transfer .....	57
Software Fee.....	19	Transfer Fee .....	20
Suite.....	5	Website .....	53



# Franchise Agreement

Franchisor and Franchisee enter into this Franchise Agreement ("Agreement") as of the Effective Date:

Franchisor: Hello Sugar Franchise, LLC

Franchisor business entity: Arizona limited liability company

Franchisor principal business address: 151 N. Centennial Way  
Mesa, Arizona 85201

Franchisee: \_\_\_\_\_

Franchisee business entity: \_\_\_\_\_

Guarantors: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Franchisee principal business address: \_\_\_\_\_

Suite or Flagship: \_\_\_\_\_

Franchisee Email: \_\_\_\_\_

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

Option to Open Suite:

☐

Yes

☐

No



# Franchise Agreement

## Background

Franchisor has expended considerable time, money, effort, and other resources developing a system for the operation of businesses in the beauty industry. This business, which currently operates principally under the name “**Hello Sugar**,” establishes and operates retail and service businesses that provide waxing, sugaring, laser hair removal, and other related products and services.

It is Franchisor’s desire, and a major purpose of this Agreement and others like it, to license its System to franchisees who meet Franchisor’s minimum standards of character, skill, aptitude, business acumen, and financial capacity (“Qualified Franchisees”). Franchisor does so by allowing Qualified Franchisees, like Franchisee, to own and operate their own business, within the scope of the license granted, using Franchisor’s then-current proprietary marks (each, a “Franchised Business”). Franchisor’s overarching goals in doing so are the following:

The system of uniform standards, methods, procedures, and specifications Franchisor has developed, includes the following as they now exist and as they may be updated from time to time:

- The use and display of the name “Hello Sugar” and other trademarks and service marks, logos, and other related intellectual property owned or acquired in the future by Franchisor (“Marks”);
- The service methods and protocols set forth in Franchisor’s confidential operations manual for estheticians (“Operations Manual”);
- The business operations methods for franchisees, including recommended and required software, billing methods, customer-service standards, bookkeeping standards, etc. (“Operations”);
- Franchisor’s training programs for estheticians, esthetician trainers, managers, and franchisees as set forth in various online training modules (“Training”);
- Employee dress and appearance (“Dress Code”);



# Franchise Agreement

- Minimum licensing, certifications, educational background, credentials and skill levels of Franchisee's estheticians ("Employee Qualifications");
- Franchisor's official design, fixtures, wallcoverings, window clings, layout specifications, and other décor for its Hello Sugar salons ("Design Package");
- Franchisor's sales techniques for estheticians to sell monthly memberships ("MCR Training");
- Franchisor's membership model and pricing ("Membership");
- Days and hours of operation ("Business Hours");
- Customer service standards and policies ("Customer Service");
- Issuing and honoring gift cards and similar items and participating in other promotions ("Gift Cards and Promotions");
- Participation in market research and testing and product and service development programs ("Research and Development");
- Franchisor's required and authorized inventory for retail sales ("Retail Sales");
- Accepting credit and debit cards, other payment systems and check verification services ("Payment Processing");
- Bookkeeping, accounting, data processing and record keeping systems and forms; formats, content and frequency of reports to us of sales, revenue, and financial reports and condition; and giving us copies of tax returns and other operating and financial information concerning the Franchise ("Recordkeeping");
- Terms and format of membership agreements ("Membership Agreements");
- Franchisor's marketing methods and techniques and promotional programs and media used in these programs ("Marketing");





# Franchise Agreement

- Franchisor's method for data collection and tracking, including personality inventories and their corollaries, and the conclusions Franchisor draws therefrom ("Data-Driven Research"); and
- Any other aspects of operating and maintaining the Franchised Business that the Franchisor determines to be useful in preserving or enhancing the efficient operation, image, or goodwill of the Marks and the preservation of the Franchised Business brand ("Other Operating Standards").

Franchisor's Marks, Operations Manual, Operations, Training, Dress Code, Employee Qualifications, Design Packages, MCR Training, Membership, Business Hours, Customer Service, Gift Cards and Promotions, Research and Development, Retail Sales, Payment Processing, Recordkeeping, Membership Agreements, Marketing, Data-Driven Research, and Other Operating Standards ("System") are what make Franchisor uniquely situated to scale its business and provide opportunities for mutual benefit between Franchisor and Franchisee.

Franchisee agrees to be bound by the standards that Franchisor sets for its System ("System Standards"). All references to this Agreement include all mandatory System Standards, whether now existing or later adopted by the Franchisor for the System.



# Franchise Agreement

## Article I: Grant of Franchise

### 1. Franchise License

#### 1.1 Grant of Franchise License

By way of this Agreement, Franchisor grants to Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to operate a Franchised Business. Franchisee agrees to operate its Franchised Business in strict conformity with the System, Operations Manual, and the remaining terms of this Agreement. Franchisor has the right to supplement, improve, or otherwise modify the System and its Operations Manual from time to time in Franchisor's discretion, and Franchisee agrees to comply with all changes which may include, without limitation, the offer and sale of new, additional, or different products or services as Franchisor may specify.

#### 1.2 Site Selection Area; Approved Location

If Franchisor and Franchisee have not agreed on an Approved Location (as defined below) for the Franchised Business as of the date this Agreement is executed, the mutually agreed-upon non-exclusive site selection area wherein Franchisee must secure an Approved Location (as defined below) will be set forth in Exhibit 1 to this Agreement (the "Site Selection Area").

The Franchised Business must be operated from a single location that Franchisor reviews and approves ("Approved Location"). If Franchisor and Franchisee have not agreed on an Approved Location as of the date this Agreement is executed, then Franchisee must select a location for the Franchised Business within the Site Selection Area.

#### 1.3 Suites and Flagships

Franchisor has developed two methods within its System for operating a Franchised Business: suites and flagships. A suite is a room (or multiple rooms) rented in a larger building with multiple suites occupied by other businesses in the beauty industry ("Suite"). Suites typically do not require construction buildout or tenant improvements beyond painting and installing wallpaper, cabinets, and



# Franchise Agreement

décor. Franchisees with Suites usually do not have the option to install signage outside of the building and therefore get little benefit from foot or motor vehicle traffic. Suites typically take three (3) to six (6) months to open. Franchisee must open its Suite within six (6) months of the Effective Date of this Agreement.

A flagship is a multi-suite location occupied solely by a Franchised Business ("Flagship"). A Flagship can be built out to accommodate the needs of the Franchise and will often have a reception area, break room, laundry room, and several salon suites, all for the exclusive use of the Franchised Business. Flagships typically have better options for exterior signage (depending on local ordinances and requirements) and therefore can be better for brand awareness from foot and motor vehicle traffic. Flagships typically take between nine (9) to twelve (12) months to open. Franchisee must open its Flagship within twelve (12) months of the Effective Date of this Agreement.

If Franchisee purchases the right to develop multiple Franchised Businesses under a development agreement with Franchisor, then the timeline set forth in the development agreement shall supersede the timelines outlined in this § 1.3 so long as the development agreement remains in full force and effect.

## **1.4 Relocation; Upgrade from Suite to Flagship; Option to Develop Suite while Developing Flagship**

Franchisee is not authorized to expand to a location beyond the Approved Location(s) without executing and abiding by the terms of a separate franchise agreement specific to that location.

### *Relocation*

Once Franchisor approves the location of the Franchised Business, Franchisee may not relocate the Franchised Business without Franchisor's prior written consent. If Franchisee's landlord terminates Franchisee's right to possess the premises of the Franchised Business before the term of this Agreement expires, Franchisee will have 60 days to find a suitable replacement location that is approved by Franchisor. Franchisee is not authorized to expand to a location beyond the Approved Location(s) without executing and abiding by the terms of a separate franchise agreement specific to that location. Franchisee must pay Franchisor a relocation



# Franchise Agreement

fee equal to \$500, plus Franchisor's costs in reviewing and approving the new location (the "Relocation Fee").

## *Upgrade from Suite to Flagship*

If Franchisee is currently operating a Suite and wants to upgrade its Suite to a Flagship, Franchisee must make its request to Franchisor in writing.

Upon making such request to Franchisor, Franchisee will locate an Approved Location for the Flagship and submit the request to Franchisor for approval. Once approved, Franchisee must open the Flagship within twelve (12) months of receiving Franchisor's approval of the Approved Location. Franchisor will also update Exhibit 1 to this Agreement to create a new Territory surrounding the Flagship Approved Location. During the period wherein Franchisee is building out the Flagship, Franchisee must continue to operate its Suite in accordance with this Agreement and the Operations Manual. Once the Flagship is ready to open, Franchisee will close the Suite and continue operations from the Flagship location.

## *Option to Develop Suite While Developing Flagship*

If Franchisee obtains the right to develop a Flagship, Franchisee will have the option to also develop and operate a Suite while the Flagship is being developed by executing the form of option agreement attached to this Agreement as Exhibit 9 (the "Option Agreement").

Once the Flagship is ready to open, Franchisee will close the Suite and relocate operations to the Flagship location.

## **1.5 Modification of System**

Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or



# Franchise Agreement

modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise).

## Article II: Territory Rights

### 2. Territory Rights and Exclusivity

#### 2.1 Franchisee's Territory Rights

Franchisor grants Franchisee the exclusive right (subject to the terms and conditions of this Agreement) to operate a Franchised Business within a limited geographic boundary surrounding the Approved Location ("Territory") for as long as (1) Franchisee is not in default or breach of this Agreement, and (2) this Agreement has not expired or been terminated ("Territory Conditions"). Territories include a geographical area of the lesser of (i) 60,000 people, or (ii) a radius of 2 miles around the Approved Location. The scope and boundaries of the Territory are defined in Exhibit 1.

#### 2.2 Franchisor Rights That May Affect Franchisee's Territory

Franchisor (and any affiliates that it might have from time to time) retains the right to engage in any activities it deems appropriate that are not expressly prohibited by this Agreement, whenever and wherever it desires, including, but not limited to the following:

**2.2.1 *Business Undertaken Outside of Territory.*** Establishing and operating a Franchised Business, and granting rights to other persons to establish and operate a Franchised Business, on any terms and conditions Franchisor deems appropriate and at any locations other than within the Territory;

**2.2.2 *Providing Alternative Distribution of Competitive Services Within Territory.*** Providing and granting rights to other persons to provide goods and services similar to and/or competitive with those provided at the Franchised Business to customers located within the Territories (whether identified by the Marks or other trademarks and service marks) through any distribution channel other than a Franchised Business located within the



# Franchise Agreement

Territories (including, but not limited to, sales of products via mail order, gift cards, catalogs, toll free telephone numbers and electronic means (including the Internet));

**2.2.3 *Establishing Captive Venue Locations Within Territory.*** Establishing and operating a System business, and granting rights to other persons to establish and operate a System business, in Captive Venues, including those located within or outside the Territory, (for purposes of this section, a “Captive Venue” means a non-traditional business for the sale of System business products or services that is located within, or is a part of, another establishment or facility that consumers may visit for a purpose other than purchasing the System products or services, including, without limitation, outlets located in hotels, college campuses or universities, airports, military bases, train stations, bus stations, shopping malls, or within other similar types of establishments). “Captive Venue” also includes operating a System business for a limited duration at a conference, festival, convention, or other event or gathering.

**2.2.4 *Acquisition of Similar Businesses.*** Acquiring the assets or ownership interests of one or more businesses providing products and services like those provided at the Franchised Business, and franchising, licensing, or creating similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or licensees of these businesses) are located or operating (including within the Territory); and

**2.2.5 *Being Acquired by Similar Businesses.*** Being acquired (regardless of the form of transaction) by a business providing products and services like those provided at the Franchised Business, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Territory.

**2.2.6 *Acknowledgment of Potential Effect of Acquisitions.*** With respect to the acquisitions referenced above, Franchisee acknowledges and agrees that the competitive businesses that are operated by a company that acquires all or part of Franchisor may be converted into System businesses that operate under the Marks, regardless of their location, including competitive



# Franchise Agreement

businesses that are located within the Territory on the date of the acquisition.

## Article III: Term of Agreement

### 3. Term of Agreement

Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Term") commencing as of the Effective Date.

#### 3.1 Renewal

This Agreement will automatically renew for successive 5-year terms, provided the Franchisee complies with the following conditions. If any of these conditions are not met, the Franchisor reserves the right to decline the renewal:

3.1.1 Franchisee must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the premises for the Franchised Business, either at the time of Franchisee's renewal request or at the time of renewal; and (ii) received three (3) or more separate written notices of material default from Franchisor with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices in the 12-month period preceding the renewal request date or renewal date.

3.1.2 Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement.

3.1.3 Franchisee pays Franchisor a renewal fee equal to \$2,500. Franchisee will not be required to pay an initial franchise fee upon renewal.



# Franchise Agreement

3.1.4 Franchisee or its operating manager attends any training refresher course prescribed by Franchisor at least 30 days before the expiration of the then-current term of this Agreement, and pays Franchisor its then-current training fee for such training. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training or reimbursing Franchisor its costs to provide such training if conducted at the Franchised Business.

3.1.5 Franchisee executes a general release, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to (a) this Agreement, or (b) any federal, state, or local law, rule or ordinance.

3.1.6 Franchisee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Franchised Business within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria.

3.1.7 Franchisee provides Franchisor with information that Franchisee is able to maintain the Approved Location for the renewal term.

## Article IV: Fees

### 4. Initial Franchise Fee and Royalty Fee

#### 4.1 Initial Franchise Fee

Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Fifty Thousand Dollars (\$50,000.00) (the "Initial Franchise Fee"). Franchisor and Franchisee agree and acknowledge that the Initial Franchise Fee





# Franchise Agreement

will be deemed fully earned upon payment and is not refundable under any circumstances.

If Franchisee purchases the right to develop multiple franchised businesses under a development agreement with Franchisor, then Franchisee will not pay the Initial Franchise Fee and instead pay the Development Fee in accordance with the schedule set forth in the Area Development Agreement.

## 4.2 Business Management System Fee

If this is Franchisee's first Hello Sugar Franchise Agreement, Franchisee must pay Franchisor a business management system fee of Seven Thousand Five Hundred Dollars (\$7,500) (the "Business Management System Fee"). The Business Management System Fee is used to integrate Franchisee into the franchise system. The Business Management System Fee is paid once, regardless of how many locations Franchisee opens initially or in the future.

## 4.3 Royalty Fee

Franchisee agrees to pay Franchisor a monthly royalty ("Royalty") equal to six percent (6%) of its Gross Revenue generated during the previous month. In this Agreement, "Gross Revenue" means the total of all revenue and receipts derived from the operation of the Franchised Business, including, but not limited to, all amounts received at or away from the site of the Franchised Business, or through or by means of the business Franchisee conducts at its Franchised Business, such as fees for waxing and sugaring services, membership fees, fees for optional member services and charges, gift card redemption (Gross Revenue does not include gift card purchases at the time of purchase, but does include the redemption amount of purchases made by gift card), and revenue derived from product sales; whether in cash or by check, credit card, debit card, barter or exchange, or other credit transactions, but excluding only (1) sales taxes collected from customers and paid to the appropriate taxing authority, (2) all customer refunds and credits Franchisee's Franchised Business actually makes, and (3) tips received by estheticians, whether received directly from clients or received by the Franchised Business and then paid to estheticians.

4.3.1 *Bookeeping Access.* Franchisee shall, on or before the fifth (5th) day of the month following the close of each calendar month, furnish Franchisor



# Franchise Agreement

with a report showing Franchisee's Gross Revenue from the Franchised Business (the "Gross Revenue Report"). The Gross Revenue Report can take any form that reasonably communicates Gross Revenue. Franchisor reserves the right to establish a point-of-sale system ("POS System") that Franchisor may require Franchisee to use in the operation of the Franchised Business. Franchisee must use Quickbooks for the management of its books. Franchisee must also grant Franchisor at least read-only access to its Quickbooks account (with access granted to Franchisor's designated email account) and allow Franchisor to pull information required to calculate Gross Revenue and generate monthly Royalty invoices to Franchisee, provided that the books are kept up to date and reconciled no later than the fifth (5<sup>th</sup>) day of each month.

**4.3.2 Choice of Bookkeeper.** Franchisor has vetted a team of bookkeepers familiar with the financial intricacies of Franchisee's business ("Preferred Bookkeeper"). Franchisee has the option to work with the Preferred Bookkeeper, manage its own finances, or choose a different bookkeeper. However, if the Franchisee decides against using the Preferred Bookkeeper, its choice of bookkeeper must be approved by the Franchisor, which approval will not be unreasonably withheld. If Franchisee elects to use the Preferred Bookkeeper, it acknowledges that Franchisor assumes no responsibility for the work product of Preferred Bookkeeper, and Franchisee releases Franchisor from all liability related to the Preferred Bookkeeper's keeping of Franchisee's books.

**Bookkeeping Practices.** It is crucial for both the Franchisee's success and the relationship between Franchisor and Franchisee that Franchisee follows best bookkeeping practices, including maintaining up-to-date financials. If Franchisee's books are not reconciled and all suspense accounts cleared by the time the Gross Revenue Report is due in any given month, such that the Gross Revenue Report is late or inaccurate, Franchisor may, at its option, require Franchisee to engage the services of Preferred Bookkeeper for a maximum of the next twelve months, and in addition to paying for the services for the Preferred Bookkeeper, Franchisee will pay Franchisor a \$200 late fee.



# Franchise Agreement

## 4.4 Technology Fee

Franchisee agrees to pay Franchisor, its affiliates, or other designated third-party the then-current monthly technology fee, which is currently forty-five dollars (\$45.00) per month throughout the Agreement's Term ("Technology Fee"). The Technology Fee will not increase to more than \$150 per month. The Technology Fee covers software license and/or maintenance fees, Franchisee web portal access, email marketing, or other operations or communications systems ("Technology"). Franchisee must pay the Technology Fee each month, along with the Royalty Fee. Franchisor has the right to increase the technology fee amount after giving thirty (30) days' notice to Franchisee. Additionally, Franchisor may choose to replace the software and technology with different technology, either developed by Franchisor or a third-party. Franchisee will then pay the current fees for the replacement technology and for continuous access to it, at Franchisor's discretion.

**DISCLAIMER OF LIABILITY:** To the fullest extent the law permits, Franchisor and its affiliates disclaim all liability, including any express or implied warranties, whether oral or written, for losses due to failures in Technology, including but not limited to (i) functionality of Technology, (ii) any connectivity or services issues related to Technology, and/or (iii) for any damages or losses that Franchisee incurs due to any Technology failures. Franchisee's sole recourse shall be against the providers of such Technology.

## 4.5 Reception Fee

Throughout the Agreement's Term, Franchisee agrees to pay Franchisor, its affiliates, or other designated third party's then-current reception fee, which is currently three dollars and twenty-five cents (\$3.25) per serviced appointment booked each month (the "Reception Fee"). The Franchisee must pay the Reception Fee monthly along with the Royalty Fee. The Reception Fee covers scheduling, rescheduling, cancellation, and escalation services provided by the Franchisor and is calculated based on the number of appointments booked in the previous month. The Franchisor has the right to increase the Reception Fee amount after providing thirty (30) days' notice to the Franchisee based on the then-current costs of providing reception services to the Franchisee. At no point will the Reception Fee exceed 10% of the price of the current non-member Brazilian female wax.



# Franchise Agreement

Franchisor and/or its affiliates will act as an intermediary between Franchisee and third-party vendors (the "Reception Vendors") who provide reception services necessary for the Franchisee's Hello Sugar Salon (the "Reception Services").

## 4.6 Construction Management and Oversight Review Fee

During Flagship Buildout, and to ensure compliance with the Buildout Conformance Review Protocols, Franchisee will pay Franchisor \$250/hour, billed at tenth-of-an-hour increments, for the conformity-assurance review ("Construction Management and Oversight Review Fee"). Consistent with § 6.7, Franchisee does not need to pay the Construction Management and Oversight Review Fee if it engages, at its own expense, the services of a Franchisor-approved construction management service.

## 4.7 Initial Training Fee

Franchisee will pay Franchisor an initial training fee ("Initial Training Fee") for Franchisor's training of the first round of estheticians Franchisee hires prior to opening its Franchised Business for business ("Opening Day"). (See § 5.2.) The Initial Training Fee for a Suite is \$5,250, and for a Flagship it is \$10,500.

## 4.8 Additional Training Fee

Franchisee will pay Franchisor an additional training fee equal to the Initial Training Fee ("Additional Training Fee") for Franchisor-provided on-site Esthetician Training for all estheticians hired after Opening Day. (See § 5.2.1.)

If Franchisee fails to attend and complete any other mandatory training program, Franchisee is obligated to obtain such training at a location Franchisor designates, at Franchisee's sole cost, which includes tuition at Franchisor's then-current rate, plus all costs to attend such training. Franchisor's current tuition rate is \$50 per trainer per hour if completed at Franchisor's headquarters, or \$500 per trainer per day if completed elsewhere.

## 4.9 Advertising Fees

4.9.1 *Minimum Monthly Spend.* Franchisee shall spend monthly, starting one month before Opening Day, and throughout the Term of this Agreement,



# Franchise Agreement

not less than Three Hundred and Fifty Dollars (\$350.00) per month on advertising for the Franchised Business in the Territory set forth in Exhibit 1 ("Local Marketing and Advertising"). Franchisee must use Franchisor's affiliate or other third party approved by Franchisor to perform these services. Any amounts spent for ad management do not count towards Franchisee's Local Marketing and Advertising requirement.

## 4.10 Brand Fund

4.10.1 *Brand Fund*. Franchisor, its affiliate, or its designee may choose to implement a brand development fund designed to increase brand awareness and promote goodwill and increased opportunities for the brand nationwide. To that end, Franchisor may establish a fund to cover expenses related to advertising, marketing, public relations programs, research and development, and other Franchise System development programs and activities related to the brand fund that Franchisor deems appropriate ("Brand Fund").

Once established, Franchisee is required to contribute to the Brand Fund at a rate of up to 2% of its Gross Revenue each month, payable in the same manner as the Royalty, starting 60 days after Franchisor announces the establishment of the Brand Fund. If Franchisor establishes a Brand Fund, all System businesses, including Franchisor-owned or affiliate-owned locations, will be required to contribute to the Brand Fund. The contribution rate for Franchisor-owned or affiliate-owned locations may differ from the rate in this agreement.

Franchisor, its affiliate, or its designee will control all advertising and marketing programs, including creative concepts, materials, and media placement, and other brand development activities. Brand Fund expenditures may cover costs related to advertising and marketing materials, promotional events, market research, and other advertising and marketing activities. Franchisor will periodically provide samples of advertising, marketing, and promotional materials to Franchisee at no cost and sell copies at its direct cost of producing them.

Franchisor will account for the Brand Fund separately from its other funds and will not use the Funds for general operating expenses. The Brand Fund



## Franchise Agreement

may spend more or less than its total contributions in any fiscal year and may borrow from Franchisor or others to cover deficits or invest any surplus for future use. Franchisor will prepare an annual, unaudited statement of the Brand Fund's collections and expenditures and will provide copies of such statements upon written request. Such unaudited statement will be prepared within 180 days after Franchisor's fiscal year end. Franchisor may operate the Brand Fund through an affiliate or other separate entity whenever it deems appropriate.

Although Franchisor will attempt to develop advertising and marketing materials and programs that benefit all franchised businesses, it is not required to ensure that the Brand Fund's expenditures are proportionate or equivalent to the contributions made by System franchisees in a specific geographic area. Franchisor may defer or reduce contributions to the Brand Fund, reduce or suspend Brand Fund contributions and operations, and terminate the Brand Fund at any time. If Franchisor terminates the Brand Fund, it will either (i) expend the remaining amounts left over in the Brand Fund, or (ii) distribute any remaining monies in proportion to the contributions made by Franchisee and Franchisor or its affiliates during the preceding twelve months.

**4.10.2 Regional Cooperatives.** While the Brand Fund remains in effect, and provided that Franchisee makes its required contributions to the Brand Fund, it will not be required to contribute funds to any Regional Cooperative (as defined below) and it may choose, without obligation, to spend amounts on advertising, marketing, and promotional programs for its Franchised Business in addition to its required contributions to the Brand Fund provided that such advertising otherwise conforms to the requirements of this Agreement, including § 12.2. Regional cooperative fees shall not exceed 2% of gross revenue as a combined total with the brand fund.

The Franchisor has the authority to designate a geographic area in which two (2) or more Hello Sugar franchises are located as a region to establish an advertising cooperative (a "Regional Cooperative"). The Regional Cooperative's members in any area will include all the System franchises operating in that area (including Franchisor or its affiliates, if applicable). Each Regional Cooperative will (i) be organized and governed in a form and manner that Franchisor prescribes, (ii) begin operating on a date that



## Franchise Agreement

Franchisor determines in advance, (iii) meet monthly, and (iv) submit to Franchisor the agenda and minutes for each meeting in accordance with its procedures. Franchisor may change, dissolve, or merge Regional Cooperatives. Each Regional Cooperative's purpose is, with Franchisor's approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area covered by the Regional Cooperative. If, as of the time Franchisee signs this Agreement, Franchisor has established a Regional Cooperative for the geographic area in which its Franchised Business is located, or if Franchisor establishes a Regional Cooperative in that area during the Term of this Agreement, Franchisee agrees to sign the documents Franchisor may require for it to become a member of the Regional Cooperative and to participate in the Regional Cooperative as those documents may require. Franchisee agrees to complete and submit to Franchisor and the Regional Cooperative any reports that Franchisor or it requires. All material decisions of the Regional Cooperative will require the affirmative vote of fifty-one percent (51%) of all System franchisees operating within the Regional Cooperative's area (including, if applicable, those operated by Franchisor and its affiliates), with each System franchisee receiving one (1) vote. Franchisee's Regional Cooperative may, with the majority vote of its members, engage in activities other than advertising and marketing including, but not limited to, esthetician recruitment and promotion of waxing/sugaring as a career, regional employee appreciation events, and joint purchasing or vendor arrangements.

Franchisee agrees that it and its Regional Cooperative's advertising, promotion and marketing will be completely clear, factual, and not misleading and will conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that Franchisor prescribes from time to time. Before Franchisee or its Regional Cooperative uses them, it must send samples of all advertising, promotional and marketing materials which Franchisor has not prepared or previously approved during the last twelve (12) months for approval. If Franchisor does not disapprove of the materials within fifteen (15) calendar days of its receipt of them, they shall be deemed disapproved. Additionally, Franchisee must comply with all federal laws regulating advertising, such as the CAN-



# Franchise Agreement

SPAM Act and the Telephone Consumer Protection Act, as well as state advertising laws applicable to the Franchised Business.

## **4.11 Software Fee**

Franchisee must pay Franchisor its then-current monthly software fee that Franchisor currently collects on behalf of third-party suppliers, which currently includes software for messaging, email and storage, texting, and television management (the "Software Fee"). The Software Fee may change over time depending on the amounts charged by Franchisor's suppliers. Franchisee must also pay directly to any third party for any other software Franchisor requires Franchisee to obtain.

## **4.12 Interest on Late Payments and Dishonored Check Fees**

All amounts that Franchisee owes Franchisor (including Royalty payments), if not paid on the due date, will bear interest at the rate of eighteen percent (18%) per annum or the highest commercial contract interest rate the law allows, whichever is less. Franchisor will calculate the interest charged to Franchisee on a monthly compounding basis and the actual number of days elapsed divided by 365. In addition to the interest noted above, Franchisee must pay Franchisor \$50 each time it submits a late payment or fails to submit any required report on time. Franchisee authorizes Franchisor to debit Franchisee's Account automatically for these amounts. Franchisee shall pay Franchisor a fee of One Hundred Dollars (\$100.00) each time a check Franchisee writes to Franchisor is dishonored by Franchisee's bank or each time an ACH debit fails for lack of funds. Franchisee acknowledges that this Section does not reflect any agreement by Franchisor to accept any payments after they are due or its commitment to extend credit to, or otherwise finance Franchisee's operation of, the Franchised Business. Franchisee further acknowledges that its failure to pay all amounts owed to Franchisor when due constitutes grounds for Franchisor terminating this Agreement.

## **4.13 Application of Payments and Right of Set Off**

Despite any designation made by Franchisee, Franchisor may apply any payments to any past due indebtedness owed to Franchisor (or its affiliates) and may set off any amounts owed by Franchisee to Franchisor (or its affiliates) against any amounts owed by Franchisor (or its affiliates) to Franchisee. The application of





# Franchise Agreement

payments and right of set-off shall include any past due indebtedness or set-off amounts owed to Franchisor (or its affiliates) under this Agreement or any other agreement, including any other franchise agreement, between Franchisor and Franchisee or their affiliates.

## 4.14 Renewal Fee

Franchisee agrees to pay Franchisor a nonrecurring and nonrefundable Renewal Fee of \$2,500 (the "Renewal Fee").

## 4.15 Transfer Fee

In the event of an approved Transfer (see Article 14), either the Franchisee or its buyer must pay a Transfer fee equal to to \$5,000, plus any broker or other third-party fees ("Transfer Fee"). If the Transfer is to a pre-existing franchisee (or to an entity owned and operated by a pre-existing franchisee), then the Transfer Fee is \$1,000 plus any broker or other third-party fees.

## 4.16 Customer Dispute Resolution Fee

**If the Franchisee fails to resolve a customer issue within two (2) business days after receiving notification from the Franchisor, the Franchisor may get involved. If Franchisor is involved in resolving a dispute between Franchisee and a customer, Franchisee must pay Franchisor up to \$500 plus any amount Franchisor reimburses to a customer on Franchisee's behalf.**

## 4.17 Method of Payment

Franchisee must use ACH (automatically debited) payments. To that end, Franchisee must execute the document included as Exhibit 4, which authorizes the automatic debit of the ongoing fees and other sums due to Franchisor.

## 4.18 Reciprocity Rate Adjustments

Because this is a national franchise, customers are able to use vouchers they have purchased as part of their membership at any location nationwide. Although it makes up a small part of the total transactions, it is not uncommon for a customer to purchase a membership at one location and then redeem the voucher at



# Franchise Agreement

another ("Cross-Location Redemption"). Every quarter, Franchisor, through the calendaring and billing application, reconciles the Cross-Location Redemptions, which reconciliation is reported and accounted for with a credit or debit on the next monthly invoice for the applicable franchised businesses ("Reciprocity Rate Adjustment").

## Article V: Training and Assistance

### 5. Training

#### 5.1 Initial Management Training Program

Before the Franchisee's Hello Sugar Business opens, the Franchisor will offer an initial management training program ("Initial Management Training Program"). The Franchisee's General Manager and at least one Operating Principal (as the terms are defined below at 46) ("Initial Trainees") must attend and complete the Initial Management Training Program prior to the opening of Franchisee's Franchised Business, unless approved otherwise by Franchisor. The Initial Management Training Program will introduce the Initial Trainees to the brand and be delivered by Franchisor in either an in-person classroom setting or a live-virtual setting or equivalent remote- or virtual-attendance training, as determined at Franchisor's sole discretion. Franchisee must, at all times during the Term of this Agreement, have an Operating Principal who has successfully completed the Initial Management Training Program. Franchisee is obligated to pay Franchisor its Initial Training Fee for the Initial Management Training Program and Esthetician Training described below.

If Franchisor, based on the performance of the Initial Trainees, determines in its reasonable business judgment that the Initial Trainees cannot satisfactorily complete the Initial Management Training Program, Franchisor may terminate this Agreement. Alternatively, Franchisor may, at its sole discretion, permit the Initial Trainees to repeat the Initial Training Program at an additional reasonable fee.



# Franchise Agreement

## 5.2 Esthetician Training

Franchisee must not allow its estheticians to perform services on behalf of Franchisee's Franchised Business until the estheticians have successfully, and to the satisfaction of Franchisor, completed Franchisor's training on Franchisor's methods for waxing, sugaring, and other related Franchise services ("Esthetician Training"). For the purposes of this agreement, the term "esthetician" includes cosmetologists licensed by their state to perform waxing and sugaring hair removal and related services ("Esthetician Services").

5.2.1 *Esthetician Training.* Training for a Suite lasts one (1) week while training for a Flagship lasts two (2) weeks.

5.2.1.1 The Initial Training Fee will include the wages, travel, and personal expenses of the Franchisor's personnel for one round of Esthetician Training, but Franchisee will be responsible for all other costs associated with the Esthetician Training, including the cost of wax, sugar, and other supplies; cost of the room or rooms where training is held; and wages of its estheticians.

5.2.1.2 If Franchisee hires additional estheticians and solicits Franchisor to provide the Esthetician Training (which it must do unless it has its own Certified Trainers [see §§ 5.2.2 – 5.2.5]), it must pay the Additional Training Fee. Additional Esthetician Training is subject to the same requirements that apply to the initial Esthetician Training (§ 5.2.1 and its subsections) and is the same in all respects except that it is not covered by the Initial Training Fee and requires payment of the Additional Training Fee.

5.2.2 *Certified Trainers.* Franchisor has a training program through which it certifies Hello Sugar estheticians as trainers who are authorized to conduct Esthetician Training ("Certified Trainer"). Only Certified Trainers may conduct Esthetician Training.

5.2.3 *Authorization for Certified Trainers to Conduct Esthetician Training.* A Certified Trainer may only conduct Esthetician Training if, in addition to completing Trainer Training, the Certified Trainer has, in the previous twelve



# Franchise Agreement

months, completed the Esthetician Recertification Course (see § 5.3) and received A grades on both the wax and sugar portions.

**5.2.4 Franchisee Certified Trainers.** From time to time, Franchisee may choose to nominate one or more of its estheticians (“Nominated Esthetician”) to receive extra training to become Certified Trainers (“Trainer Training”). Franchisor may choose whether to allow the Nominated Esthetician to participate in Trainer Training and will not unreasonably reject Franchisee’s nomination. Franchisor may choose, at its sole discretion, where, when, and how often to hold Trainer Training. Franchisor may require Franchisee to pay a reasonable fee for Trainer Training. Franchisee will also be responsible for all Trainer-Training related expenses of its Nominated Esthetician, including costs of travel, lodging, meals, and wages.

**5.2.5 Denial or Revocation of Esthetician Training Status.** Franchisor reserves the right, at its reasonable discretion, to deny any Nominated Esthetician, even after beginning or completing Trainer Training, from achieving Certified Trainer. Franchisor also reserves the right, at its reasonable discretion, to revoke Certified Trainer status after it has been granted.

**5.2.6 Laser Training.** If Franchisee elects to offer laser hair removal at its Franchised Business, Franchisee will ensure that its employees performing laser hair removal successfully, and to the satisfaction of Franchisor, complete training on the laser, including safe and successful methods of laser hair removal (“Laser Training”). Laser training lasts one to three (1–3) days.

## **5.3 Esthetician Recertification Course**

To promote quality and uniformity in the Hello Sugar services, Franchisor has had a program developed through which a vetted third-party reviews, assesses, and grades an esthetician’s technique and provides the esthetician with feedback on the esthetician’s observed technique (“Esthetician Recertification Course”). This also protects the Franchisee (and all franchisees) by ensuring high quality services and protecting the brand and System Franchisee is purchasing a license to use.



# Franchise Agreement

Franchisee must ensure that all its Certified Trainers complete the Esthetician Recertification Course within thirty (30) days of completion of Trainer Training. Franchisee must contract with Franchisor's approved provider for this service. If the Certified Trainer successfully completes the Esthetician Recertification Course and receives the certification, they are authorized to continue training for Franchisee, but must enroll in the Esthetician Recertification Course every year to recertify and keep Certified Trainer Status. Successful completion requires an "A" or "B" score. If the Certified Trainer does not successfully complete the Esthetician Recertification Course, Franchisee may choose whether to re-enroll them in the Esthetician Recertification Course at Franchisee's expense. Certified Trainers who are not recertified every year before the anniversary of their first certification lose their Certified Trainer Status and are not authorized to conduct any training for Franchisee or at any Hello Sugar location until such time as their recertification is complete.

Although re-certification is required only for Certified Trainers, it is in the Franchisee's best interest to have all its Estheticians participate in the Esthetician Recertification Course to promote the best client experience.

## **5.4 Additional Training and Programs**

Franchisor may offer additional mandatory or optional training programs from time to time, and if required by the Franchisor, the Franchisee or their principals shall participate in such programs. These programs may include ongoing training, a national business meeting, or annual convention, any of which may be at a location designated by the Franchisor ("Additional Programs"). Franchisor reserves the right to impose a reasonable fee for all additional training programs. Franchisee and its Operating Principal shall not be required to participate in Additional Programs in excess of sixty (60) days per calendar year.

Franchisee shall be responsible for all incidental expenses it incurs in connection with Additional Programs, including costs of travel, lodging, meals, and wages. Failure to attend or complete mandatory Additional Programs is a default of this Agreement unless, after given an opportunity to cure, Franchisor allows Franchisee to make up for the missed mandatory Additional Programs, and Franchisee meets Franchisor's requirements for making up the missed mandatory Additional Program, including paying for the reasonable costs Franchisor incurs to make it possible for Franchisee to make up for the missed mandatory Additional



# Franchise Agreement

Programs, which Franchisee agrees to pay within ten (10) days of receiving Franchisor's invoice.

## **5.5 Operations Manual**

Franchisor shall provide Franchisee with access to the Operations Manual during the Term of this Agreement. The Operations Manual consists of mandatory policies and protocols, as well as suggested procedures for the operation of the Franchise. Currently, the Operations Manual is available on Franchisor's website or another restricted website accessible to Franchisee at no extra cost. Franchisor reserves the right to disseminate some or all of the Operations Manual via other delivery methods. Franchisor may modify the contents of the Operations Manual from time to time to maintain the integrity of Franchisor's brand and the proper operation of the Franchise System.

Franchisee agrees that the contents of the Operations Manual are always Franchisor's Confidential Information and shall not disclose it to any person other than Franchisee's employees who need to know. Franchisee is not allowed to copy, duplicate, record, or reproduce any part of the Operations Manual, except as authorized periodically by Franchisor for training and operating purposes. Failure to comply with the mandatory aspects of the Operations Manual on time may, in some circumstances, be considered a material default of this Agreement and lead to its termination.

## **5.6 On-Site Remedial Training**

At any time during the term of this Agreement, Franchisee may request, or Franchisor may, in its reasonable discretion, provide additional trained representatives for on-site remedial training and assistance to Franchisee's personnel at the Franchised Business, subject to the availability of personnel. Franchisee shall be responsible for paying the Additional Training Fee then being charged to franchisees for such services under the System, plus any associated costs for travel, lodging, wages, and meals incurred by the trained representatives.

## **5.7 Franchise Counseling and Assistance**

Franchisor may, at its discretion and subject to availability of personnel, offer consultation and assistance to Franchisee upon reasonable request, either in



# Franchise Agreement

person or by telephone, video conference, email, or postal service. Such assistance will be provided at no charge unless it is provided at the Franchised Business location in accordance with § 5.6. Franchisee may receive advice and consultation regarding the operation of the Franchised Business, including employee training, marketing, operational issues, bookkeeping and System improvements. Franchisor may determine the form of consultation and assistance to be provided in its sole discretion. Additionally, Franchisee may receive visits from Franchisor's field representatives as deemed appropriate.

## **5.8 Delegation of Performance**

Franchisee agrees that Franchisor has the right to delegate the performance of any portion or all of its training obligations under this Article 5 to third-party designees. These designees may be either agents of Franchisor or independent contractors contracted by Franchisor to perform these obligations.

## **Article VI: Site Selection, Lease of Site, and Opening of the Franchised Business**

### **6. Site Selection, Construction, and Opening**

#### **6.1 Approval of a Proposed Site.**

Franchisor will provide Franchisee with assistance and guidance in finding a site for its Franchised Business, but Franchisee is responsible for all costs, liabilities, expenses, and obligations related to acquiring and developing a site for the Franchised Business within the designated Territory, as well as constructing and equipping the Franchised Business at that location.

Franchisee shall submit a complete site report for a proposed site that conforms to Franchisor's minimum site selection criteria within (a) ninety (90) days of the Effective Date of Franchisee is developing a Suite, and (b) one hundred and eighty (180) days of Franchisee is developing a Flagship, which Franchisor shall have the right to accept or reject. Franchisor will consider various factors in accepting or rejecting a proposed site, such as demographic and psychographic characteristics of the proposed site, traffic patterns, parking, competition from other businesses



# Franchise Agreement

in the area, proximity to other businesses (including other System franchise locations), the nature of other businesses in proximity to the site, commercial characteristics, size of premises, appearance, and physical characteristics of the premises. Franchisor shall have fifteen (15) business days after receiving the requisite materials to approve or disapprove a proposed site and shall notify Franchisee of its decision in writing. If Franchisee does not receive written approval within fifteen (15) business days.

Franchisee acknowledges that Franchisor's approval of the site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for the Franchised Business or any other purpose. Franchisor's approval indicates only that the site meets its then-acceptable criteria. Franchisor is not responsible if the site fails to meet Franchisee's or Franchisor's expectations. Franchisor will inform Franchisee of those jurisdictions where an expediter is necessary and the name of the designated expediter.

## **6.2 Executing the Lease**

Within thirty (30) days of Franchisor's approval of the location for the Franchised Business (or a longer time period approved by Franchisor in writing), Franchisee must sign a lease and take possession of the location. The lease must include Franchisor's Collateral Assignment of Lease Agreement, which is attached as Exhibit 2. If Franchisee does not obtain the location for the Franchised Business as required by this Agreement, it will be considered a material default under this Agreement.

## **6.3 Finalizing Territory Rights**

Within thirty (30) days of Franchisor's approval of the location of the Franchised Business, Franchisor will fill out Exhibit 1 of this Agreement with specific location details of the Franchised Business and bounds of the Immediate Territory and give a copy to Franchisee. Exhibit 1 will become a part of this Agreement after Franchisor delivers it. Franchisee must inform Franchisor within fifteen (15) days of receipt of Exhibit 1 if it rejects it or there are any errors. Otherwise, the Exhibit 1 provided to Franchisee will be considered final.





# Franchise Agreement

## 6.4 Construction

6.4.1 *Compliance with Local Legal Requirements.* Franchisee is responsible for obtaining any necessary clearances required by state or local laws or regulations or any restrictive covenants for the location of the Franchised Business, including access to clean water. Before starting construction, Franchisee must obtain all necessary permits, licenses, insurance, and certifications required for lawful construction and operation of the Franchised Business and must certify in writing to Franchisor that they have obtained all necessary approvals.

6.4.2 *Progress Reports.* Franchisee must provide Franchisor with periodic reports on the progress of construction and provide reasonable access for on-site inspections. Franchisee must notify Franchisor at least thirty (30) days prior to completion of construction and Franchisor has the option to inspect the completed site.

6.4.3 *Written Authorization of Franchisor Required Prior to Opening.* Franchisee may not open the Franchised Business without written authorization from Franchisor, and authorization is dependent upon strict compliance with the Agreement.

## 6.5 Franchised Business Design Package

Franchisor has spent considerable time and money developing a Design Package for its Franchised Business that is consistent with the brand and image it wishes to portray, which Design Packages may be updated from time to time. Franchisee will, at its own expense, build-out, equip, and decorate the Franchised Business using the fixtures, furniture, furnishings, signs, wall coverings, paint colors, window wraps, and other décor specific to the Design Package ("Operating Assets"). If the landlord does not pre-approve every element of the Design Package, Franchisee will seek written approval from Franchisor for deviation from the Design Package before signing the lease, which Franchisor will not unreasonably withhold. If Franchisor approves a deviation from the design package, Franchisee will otherwise comply with the Design Package to the fullest extent permitted by the landlord in the lease.



# Franchise Agreement

If Franchisee desires to add, subtract, or otherwise deviate from the Design Package for reasons unrelated to the landlord or lease, it will seek written approval from Franchisor for deviation from the Design Package. In this case, Franchisor has full discretion to approve or deny the request for deviation.

## **6.6 Time to Open.**

It is important for Franchisee to comply with the conditions stated in this § 6.6 as time is of the essence in this Agreement. Opening Day will occur upon compliance with these conditions. Prior to Opening Day, Franchisee must meet all the following conditions:

- a) complete all exterior and interior preparations for the Franchised Business in accordance with System requirements and the plans and specifications consented to by Franchisor, including software infrastructure like billing and scheduling;
- b) satisfactorily complete Franchisor's Initial Management Training Program as further set forth in Article 5;
- c) retain staff;
- d) purchase an opening inventory of products, materials, and supplies that Franchisor has approved for use or sale, or both, from Franchisor's approved suppliers ("Products");
- e) ensure estheticians scheduled to work have completed Esthetician Training as set forth in § 5.2; and
- f) obtain all necessary licenses to operate the Franchised Business.

If Franchisee fails to fulfill any of these obligations, Franchisor may prohibit Franchisee from opening for business. If Franchisee is opening a Suite, Franchisee must open the Suite within six (6) months of signing this Agreement. If Franchisee is opening a Flagship, Franchisee must open the Flagship within twelve (12) months of signing this Agreement.



# Franchise Agreement

## **6.7 Conformance Review of Flagship Buildout**

The Franchisor has invested significant resources in developing a system to ensure compliance with the Design Package during Flagship buildout ("Buildout Conformance Review Protocols"), which may be updated periodically. The Franchisee will promptly comply with all requirements of these protocols and either (1) pay the Construction Management and Oversight Review Fee to the Franchisor, or (2) hire and pay for a Franchisor-approved construction management service. If the Franchisee chooses the former and fails to adhere to the Buildout Conformance Review Protocols at any stage of the Flagship buildout, the Franchisor may engage an external construction management service, at the Franchisee's expense, to ensure compliance.

## **6.8 Computer System, Point-of-Sale Compliance, Customer Re-Engagement Services, and Legal Requirements for Merchants**

In operating the Franchised Business, Franchisee must use computer hardware and software specified by Franchisor, including a point-of-sale system, software, and communications equipment ("Computer System"). Franchisee must also comply with Franchisor's policies relating to the Computer System, including IT policies and PCI policies. Franchisee must maintain a functioning email address and communication network authorized by Franchisor. Franchisee must obtain the Computer System and services related to it from Franchisor's specified suppliers. Franchisor may periodically modify the Computer System specifications or require Franchisee to purchase new hardware and software, which Franchisee must incur the cost for. Within sixty (60) days of notice from Franchisor, Franchisee must obtain the components of the Computer System designated by Franchisor and ensure that the Computer System is functioning properly. Franchisor may access the Computer System to ensure compliance with the Agreement and its Operations Manual. Franchisee is responsible for ensuring compliance with all laws and regulations relating to personal information, data privacy and data protection.

Franchisee must engage the services of a Franchisor-approved customer re-engagement service designed to re-engage potential customers who have visited



## Franchise Agreement

a Franchisee page on Franchisor's website but not completed a booking and recapture inactive clients through an email and text remarketing campaign.

Franchisee must immediately inform Franchisor if it suspects or becomes aware of any Security Breach. Franchisor will handle notifying affected parties and regulatory authorities, except for the payment card brands, which will be handled in accordance with the Payment Card Industry Data Security Standard (or other applicable standards). If Franchisor determines that notification is necessary, Franchisee must pay all associated costs, which may include providing credit monitoring to affected parties. Franchisee must investigate and fix the cause of the Security Breach promptly and at its own expense. "Security Breach" refers to any unauthorized use, theft, access, disclosure, loss, or acquisition of the Computer System or any Confidential Information (defined in the Agreement).

Franchisor may charge Franchisee its then-current Software Fee if Franchisor or its affiliates create proprietary software that is licensed to Franchisee. Additionally, Franchisor or its affiliates may enter into a license agreement with a third-party software licensor and then sublicense the software to Franchisee. If Franchisor or its affiliates license proprietary software or sublicense other software to Franchisee or allow Franchisee to use similar technology that is developed, maintained, or sublicensed by them, Franchisee agrees to sign any software license agreement or similar document that is prescribed by Franchisor or its affiliates to regulate Franchisee's use of the software. That agreement will define Franchisor's and Franchisee's respective rights and responsibilities with respect to the software.

Franchisee is solely and completely responsible for the acquisition, operation, maintenance, updates, and upgrading of the Computer System, including compliance with the Payment Card Industry standards that Franchisor periodically requires. This responsibility is independent of Franchisor's standards and specifications for the Computer System. Franchisee is also responsible for the way its Computer System interfaces with Franchisor's computer system and those of other third parties. Additionally, the installation, maintenance, and support of the Computer System are Franchisee's responsibility, although Franchisor may require or recommend third parties to provide these functions from time to time. Franchisee will be solely responsible for all consequences that may arise if the Computer System is not properly operated, maintained, and upgraded, including but not limited to virus and spyware issues.



# Franchise Agreement

Unless expressly provided otherwise in this agreement, Franchisee agrees that it is solely responsible for ensuring compliance with: (a) the Payment Card Industry Data Security Standards ("PCIDSS") as enacted by the applicable card associations, as they may be modified from time to time or as successor standards are adopted; (b) the Fair and Accurate Credit Transactions Act ("FACTA"); and (c) all other standards, laws, rules, regulations, or any equivalent thereof applicable to electronic payments that may be published from time to time by payment card companies and applicable to electronic payments ("Electronic Payment Requirements"). If Franchisee is required by a credit card company or another third-party, including any governmental body, to provide evidence of compliance with PCIDSS, FACTA, or applicable Electronic Payment Requirements, or upon Franchisor's request, Franchisor may require that Franchisee provides, or makes available to Franchisor, copies of an audit, scanning results, or related documentation relating to such compliance.

## **6.9 Limited Relocation**

The Franchised Business's location shall be limited to the Approved Location, and Franchisee may not relocate the Franchised Business without Franchisor's written consent. If Franchisor approves a request for relocation, Franchisee must pay Franchisor the Relocation Fee. Franchisee must remove any signs or property that identified the previous location as part of the System. If Franchisee must suspend operations during relocation, the term of the Agreement shall not be abated, and Franchisee shall remain liable to pay all ongoing fees as set forth in This Agreement. The selection of a new location must conform to all the requirements of this Agreement. After a new location is approved, Franchisor shall revise Exhibit 1 to reflect the new location, and the remainder of this Agreement will remain in full force.

## **Article VII: Franchisor's Obligations**

### **7. Franchisor Services**

The Franchisor, or someone it chooses to represent it, or both, will provide the following services:



# Franchise Agreement

## **7.1 Site Selection Guidelines**

Franchisor will provide Franchisee with site selection criteria so Franchisee may seek site approval in accordance with this Agreement.

## **7.2 Construction**

Franchisor will give Franchisee a list of requirements and guidelines for building the Franchised Business. Franchisee is responsible for making sure these guidelines are followed and covering the costs of construction as outlined in this Agreement. Franchisor will also provide a list of approved vendors who can help with the architectural design, fabrication, and installation of the store. Franchisee must use one of these approved vendors or get approval from Franchisor before using a different vendor.

## **7.3 Operations Manual**

Franchisor will provide Franchisee with access to the confidential Operations Manual, as well as any other manuals and written materials developed for use by franchisees in the future. Franchisor may revise these materials from time to time. Franchisor may choose to provide these materials electronically or via the internet, at its sole discretion.

## **7.4 Inspection**

Franchisor may inspect the Franchised Business and evaluate the products and services offered there whenever it reasonably deems necessary. If Franchisor discovers anything that does not conform to the Design Package, the System, or other requirements of this Agreement, Franchisor will notify Franchisee in writing what needs to be fixed, and then Franchisee must cure the defect within thirty (30) days. Failure to cure the defect within thirty (30) days will constitute a material default of this agreement.

## **7.5 Pre-Opening Requirements**

Franchisor will provide a written list of all the equipment, fixtures, furnishings, signage, supplies, and products that Franchisee will need to open the Franchised Business. This list will include both required items and recommended items.



# Franchise Agreement

## **7.6 Advertising Materials**

Franchisor will provide Franchisee with samples or digital artwork of advertising and promotional materials that it has developed for use in marketing the Franchised Business. This may include information about local advertising opportunities that Franchisee may take advantage of.

## **7.7 List of Suppliers**

Franchisor will make available, and update as necessary, a list of approved and/or recommended suppliers of products and services for System franchisees. Franchisee may use this list to purchase products and services that are essential for the operation of the Franchised Business.

## **7.8 Training**

Franchisor will host and facilitate the training programs set forth in this Agreement.

## **7.9 On-Going Assistance**

Franchisor will provide post-opening assistance to Franchisee as outlined in this Agreement.

## **Article VIII: Franchisee's Representations, Warranties, and Covenants**

### **8. Promises of the Franchisee**

#### **8.1 Best Efforts**

Franchisee agrees to make all commercially reasonable efforts to operate the Franchised Business in a way that will maximize its revenue.



# Franchise Agreement

## 8.2 Corporation Representations

If Franchisee is a corporation, partnership, limited liability company, or other legal entity (other than a sole proprietorship), Franchisee represents, warrants, and agrees to the following:

8.2.1 Franchisee is legally organized and validly exists under the laws of the state where it was formed;

8.2.2 Franchisee is authorized to do business in the location of the Franchised Business and in the Territory;

8.2.3 Franchisee's activities will be exclusively limited to operating the Franchised Business, unless Franchisor gives written consent to other activities, which Franchisor may choose to withhold in its sole discretion;

8.2.4 Franchisee has the power to enter into this Agreement and the necessary authority to do so; and

8.2.5 Any financial statements and tax returns provided to Franchisor will be true, complete, and correct and will have been prepared in accordance with generally accepted accounting principles. They will also reflect all liabilities, claims, commitments, and obligations of any nature as of the date of the statements or returns.

## 8.3 Personal Supervision

8.3.1 Franchisee is responsible for the actions of all agents, personnel, employees, and third parties who work for or with Franchisee. Franchisee must ensure that everyone working with or for it follows all the terms, conditions, and restrictions outlined in this Agreement and the Operations Manual. This includes adhering to quality and service standards, confidentiality agreements, non-compete clauses, and returning all proprietary and confidential information belonging to Franchisor. If any agent, employee, or third party working for Franchisee breaches any of the terms or conditions outlined in this Agreement, it will be considered a direct breach by Franchisee. Franchisor will have all the same rights and remedies as if the breach occurred through the direct actions or omissions of





# Franchise Agreement

Franchisee. Franchisee will be fully liable for any damages resulting from such breaches.

8.3.2 Franchisee must be actively involved in overseeing or managing the Franchised Business. However, Franchisee may designate an Operating Principal (as that term is defined in this Agreement) to be primarily responsible for making decisions on behalf of the Franchised Business. If Franchisee is an individual, they may serve as the Operating Principal. If Franchisee is a business entity, the Operating Principal must be a Principal who owns at least 20% equity interest in Franchisee. Franchisee must designate its Operating Principal before attending the Initial Training Program. The Operating Principal must meet all of Franchisor's standards and qualifications set forth in the Operations Manual or provided in writing by Franchisor, and must be acceptable to Franchisor in its sole discretion. The Operating Principal must devote their best efforts to making the Franchised Business successful. The Operating Principal must either manage the Franchised Business or delegate management authority to a General Manager. The Operating Principal must also complete the training requirements outlined in this Agreement.

8.3.3 If the Operating Principal or General Manager is no longer able to serve in their respective role or no longer meets the qualifications outlined in this Agreement, Franchisee must promptly inform Franchisor and designate a replacement within 30 days. The replacement must meet the same qualifications required by the Agreement, including completing all necessary training and obtaining all required certifications. Until a replacement is designated, Franchisee must provide for interim management of the Franchised Business who will act in accordance with this Agreement. Failure to comply with this section will be considered a material event of default under this Agreement. If Franchisee fails to designate a replacement within the 30-day period, Franchisor may provide interim management support and charge Franchisee the current interim management support fee until a replacement Operating Principal or General Manager is trained and certified according to Franchisor's requirements. Franchisee will be responsible for paying the interim management support fee, as well as any expenses incurred by Franchisor, such as travel, lodging, and meals. Franchisor may request payment in writing or withdraw the



# Franchise Agreement

amounts owed from Franchisee's designated bank account in accordance with this Agreement.

## 8.4 Legal Compliance

Franchisee must comply with all applicable federal, state, and local laws, rules, and regulations. It must obtain all necessary permits, certificates, and licenses in a timely manner to properly operate the Franchised Business. This includes obtaining licenses to do business, fictitious name registrations, providing cosmetology and/or esthetician services, sales and tax permits, fire and police department clearances, Americans with Disabilities Act compliance, health permits, and any other permits, certificates, or licenses required by any federal, state, or local law or regulation related to health care or the environment. Franchisee must also comply with any other requirements, rules, laws, or regulations imposed by any federal, state, or local jurisdiction.

**8.4.1 Laser Hair Removal.** The legal and administrative requirements for a business to perform laser hair removal vary state to state. There may also be county or municipal rules. In some cases, laser services are deemed to be "medical" in nature rather than "esthetic." Franchisee must comply with all applicable laws and regulations and must become educated regarding laser service requirements. In some states these services can only be administered by (or must be administered under supervision by) a licensed healthcare professional. If that is the case and Franchisee is not a licensed healthcare professional authorized under state law to offer such medical products or procedures, then state law may require Franchisee to set up the Franchised Business as a business that is operated via a management business. Some of these laws and regulations may require special certification, licensing, and registration before Franchisee may begin providing laser services, either at the business level or the esthetician level. Franchisee must ensure that only licensed estheticians or medical professionals (if and as applicable) perform any services for which a license or specialized training is required in Franchisee's state.

## 8.5 Adherence to Contracts with Third Parties

During the term of this Agreement, the Franchisee will enter into contracts and business relationships with various vendors and service providers, agreeing to



# Franchise Agreement

make payments for services that benefit the Franchised Business. The Franchisee commits to fulfilling its contractual obligations promptly to avoid any disruption to its operations and to protect the reputation of the Hello Sugar brand.

## **8.6 Claims and Potential Claims**

Franchisee must notify Franchisor in writing within three (3) days of any incident or injury that could lead to, or the actual commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality that in any way relates to or affects the operation or financial condition of the Franchised Business. All media inquiries concerning the Franchised Business, including business operations and incidents related to clients or employees, must be referred to Franchisor. Franchisee, its employees, or anyone acting on Franchisee's behalf may not comment to any broadcast medium, except as directed by Franchisor.

## **8.7 Continuing Obligations**

The Franchisee must acknowledge and agree that the representations, warranties, and covenants set forth in Article 8 are continuing obligations. Any failure to comply with these representations, warranties, and covenants will be considered a material event of default under this Agreement. Franchisee must cooperate with Franchisor in verifying compliance with these representations, warranties, and covenants.

## **Article IX: Confidential Information**

### **9. Confidential Information**

#### **9.1 Confidential Information Defined**

The Franchisor possesses and will continue to acquire certain confidential information related to the development and operation of the Franchised Business (the "Confidential Information"), which includes, but is not limited to:

9.1.1 Criteria for site selection;



# Franchise Agreement

9.1.2 Methods, formats, specifications, standards, systems, business policies, procedures, sales and marketing techniques, knowledge and experience used in developing and operating System franchised businesses;

9.1.3 Marketing research and promotional, marketing and advertising programs for System franchised businesses;

9.1.4 Knowledge of specifications for and suppliers of, and methods of ordering, certain Operating Assets and Products that System franchised businesses use;

9.1.5 Knowledge of the operating results and financial performance of System franchised businesses, including Franchisee's Franchised Business;

9.1.6 Customer communication and retention programs, along with data used or generated in connection with those programs;

9.1.7 Graphic designs and related intellectual property;

9.1.8 Information generated by, or used or developed in, the operation of Franchisee's Franchised Business, including customer names, addresses, telephone numbers, email addresses, and related information, and any other information contained from time to time in Franchisee's computer system or in any other format (e.g., paper records);

9.1.9 The Operations Manual;

9.1.10 The financial terms contained in this Agreement; and

9.1.11 Any other information designated as confidential or proprietary by Franchisor.

## **9.2 Franchisee's Obligations Regarding Confidential Information**

Franchisee acknowledges and agrees that it will not acquire any interest in Confidential Information, other than the right to use certain Confidential Information in operating the Franchised Business during the term of this Agreement and according to the mandatory System Standards and this Agreement's other terms and conditions. Franchisee further acknowledges that its



## Franchise Agreement

use of any Confidential Information in any other business would constitute an unfair method of competition with Franchisor and its franchisees. Franchisee agrees that Franchisor has the right to distribute information including operational results of System franchised businesses, including Franchisee's, among its franchisees to provide operational metrics to assist franchisees in operating their System franchised businesses. Franchisee also acknowledges and agrees that the Confidential Information is proprietary, includes trade secrets of Franchisor, and is disclosed to Franchisee only on the condition that it agrees, and it does agree, to certain terms.

Franchisee agrees that it will not use any Confidential Information in any other business or capacity. It will keep the Confidential Information absolutely confidential during and after the term of this Agreement. It will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form. It will adopt and implement all reasonable procedures that Franchisor periodically prescribes to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to its personnel and others needing to know such Confidential Information to operate its Franchised Business, and using confidentiality and non-disclosure agreements with those having access to Confidential Information. Franchisor has the right to regulate the form of agreement that Franchisee uses and to be a third-party beneficiary of that agreement with independent enforcement rights. A sample form is attached to this agreement as Exhibit 6. Franchisee will not sell, trade, or otherwise profit in any way from the Confidential Information, except using methods approved by Franchisor.

All ideas, concepts, techniques, or materials relating to a System franchised business (collectively, "Innovations"), whether or not protectable intellectual property and whether created by or for Franchisee, its Owners, employees, or contractors, must be promptly disclosed to Franchisor and will be deemed to be its sole and exclusive property, part of the Franchise System, and works made-for-hire for Franchisor. To the extent any Innovation does not qualify as a "work made-for-hire" for Franchisor, by this paragraph Franchisee assigns ownership of that Innovation, and all related rights to that Innovation, to Franchisor and agrees to sign (and to cause its Owners, employees, and contractors to sign) whatever assignment or other documents Franchisor requests to evidence its ownership or



# Franchise Agreement

to help it obtain intellectual property rights in the Innovation. Franchisor and its affiliates have no obligation to make any payments to Franchisee or any other person with respect to any Innovation. Franchisee may not use any Innovation in operating the Franchised Business or otherwise without Franchisor's prior approval.

Confidential Information excludes any information, knowledge or know-how that is or becomes publicly known in the waxing/sugaring industry or that Franchisee had prior to receiving it from Franchisor, directly or indirectly, or prior to commencing training or operating the Franchised Business. Any party who claims that a matter is not Confidential Information bears the burden of proving that it falls under this exclusion.

To protect the Confidential Information, Franchisee must ensure that all its Owners, directors, officers, management and supervisory employees, and any other employees with access to the Confidential Information, have executed a confidentiality agreement consistent with the restrictions set forth in this Section. Franchisor may provide a recommended form of confidentiality agreement (which Franchisee is not obligated to use) in the Operations Manual.

"Customer Data" refers to the names, contact information, financial information, and other personal information of or relating to the customers and prospective customers of the Franchised Business. Franchisee must comply with the mandatory System Standards, and all applicable laws, as they may be modified from time to time, with regards to the organizational, physical, administrative, and technical measures and security procedures to safeguard the confidentiality and security of Customer Data in its possession or control. In any event, Franchisee must employ reasonable means to safeguard the confidentiality and security of Customer Data.

## 9.3 Trademarks

9.3.1 *Ownerships of Marks.* Franchisee acknowledges the exclusive ownership and/or right to use the Marks by Franchisor, and Franchisee agrees that during the Term of this Agreement and after its expiration or termination, Franchisee will not directly or indirectly contest or aid in contesting the validity of the Marks or the ownership or rights of the Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that



## Franchise Agreement

any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.

**9.3.2 Permitted Use.** It is understood and agreed that the use by Franchisee of Franchisor's Marks applies only in connection with the operation of the Franchised Business at the Approved Location, and includes only such Marks as are now designated, or which may hereafter be designated in the Operations Manual or otherwise in writing as part of the System (which might or might not be all of the Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.

**9.3.3 Use of Marks in Advertising and Signage.** To develop and maintain high, uniform standards of quality and service and there protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to: (i) operate and advertise the Franchised Business only under the Marks authorized by Franchisor as specified in this Agreement and the Operations Manuals; (ii) maintain and display signage and advertising bearing the Marks that reflect the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of the Marks or other imagery that has become obsolete and no longer authorized by Franchisor; and (iii) upon Franchisor's request, Franchisee covenants and agrees that it will affix in a conspicuous location in or upon the Approved Location a sign containing the following notice: "This business is owned and operated independently by (name of franchisee) who is authorized licensed use of the trademark 'Hello Sugar' (or other Mark we designate), under a license agreement with Hello Sugar Franchise, LLC."

**9.3.4 Marks are Sole Property of Franchisor.** Franchisee acknowledges that the Marks, System, Operations Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's



# Franchise Agreement

continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Marks, System, Operations Manual(s), and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Marks licensed under this Agreement.

9.3.5 *Legal Action Involving Marks.* Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Marks, System, or the Operations Manual, and other intellectual property delivered to Franchisee or used by Franchisee under this Agreement.

9.3.6 *Modification of Substitution of Marks by Franchisor.* If in Franchisor's reasonable determination, the use of the Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Mark or good offered, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages.





## Franchise Agreement

9.3.7 *Non-Exclusive Use of Marks.* Franchisee understands and agrees that its right to use the Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.

9.3.8 *Acknowledgments.* With respect to Franchisee's use of the Marks pursuant to this Agreement, Franchisee acknowledges and agrees that: (i) Franchisee shall not use the Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page unless approved by Franchisor; (ii) Franchisee shall not hold out or otherwise use the Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and (iii) Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Marks.

9.3.9 *Notification of Infringement.* Franchisee shall notify Franchisor within five (5) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.

9.3.10 *Indemnification Regarding Marks.* Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Marks licensed



# Franchise Agreement

under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section.

## **Article X: Exclusive Relationship**

### **10. Franchisee Deals Exclusively with Franchisor**

#### **10.1 Exclusivity**

Franchisee acknowledges that Franchisor granted it the right to develop the Franchised Business based on Franchisee's commitment to work exclusively with Franchisor in the waxing/sugaring industry. Consequently, during this Agreement's Term, neither Franchisee nor its Owners (including shareholders, members, managers, or partners, depending on its business structure), nor any immediate family member of any Owner, will:

10.1.1 Hold any direct or indirect, controlling or non-controlling ownership interest in a Competitive Business (defined below), regardless of location or operation;

10.1.2 Serve as a director, officer, manager, employee, consultant, representative, or agent, or in any other capacity, for a Competitive Business, regardless of location or operation;

10.1.3 Directly or indirectly lend money or any other valuable item to, or guarantee any other person's loan to, a Competitive Business or any owner,



# Franchise Agreement

director, officer, manager, employee, or agent of a Competitive Business, regardless of location or operation;

10.1.4 try to divert or actually divert any existing or potential business or customer of Franchisee's Franchised Business to a Competitive Business.

The term "Competitive Business" refers to (i) any business (or division of a business) that generates more than 5% of its annual revenue from offering or providing services similar to those offered by System franchised businesses, or (ii) any business that grants franchises or licenses others to operate such a business, excluding a System franchised business operating under a franchise agreement with Franchisor.

## **Article XI: Operating the Franchised Business**

### **11. Operating Principal and General Manager**

#### **11.1 Operating Principal**

Upon the execution of this Agreement, the Franchisee must designate one of its owners who holds at least a 20% ownership interest in the Franchised Business to serve as the operating principal (the "Operating Principal") of the Business described in this Agreement. The Operating Principal is Franchisor's principal point of contact with Franchisee and must successfully complete the Initial Management Training Program before Opening Day. If the Operating Principal is replaced, Franchisee will notify Franchisor immediately in writing of the replacement, and the new Operating Principal must then complete the Initial Management Training Program within 90 days of replacement. Franchisee must pay the charges established by Franchisor for training programs furnished to any replacement Operating Principal.

#### **11.2 General Manager**

Additionally, upon execution of this Agreement, the Franchisee must designate a general manager (the "General Manager") of the Franchised Business. While the Operating Principal may serve as the General Manager, it is not required. The



# Franchise Agreement

General Manager must devote all necessary efforts to fulfilling Franchisee's obligations under this Agreement and must not engage in any activity that may otherwise conflict with Franchisee's obligations under this Agreement. If the Operating Principal does not serve as the General Manager, the Operating Principal is responsible for supervising all activities of the General Manager. If the relationship between Franchisee and the General Manager terminates or materially changes, Franchisee must promptly designate a replacement and notify Franchisor in writing of the replacement. The General Manager must also complete Franchisor's Initial Management Training Program before Opening Day, and any replacement General Manager must also complete the Initial Management Training Program within 90 days of starting work. Franchisee must pay the charges established by Franchisor for training programs furnished to any replacement General Manager.

## **11.3 Maintenance of the Franchised Business and System**

Franchisee agrees that it will not use its Franchised Business or any part of its Franchised Business facility for any purpose other than operating a Franchised Business in compliance with this Agreement. Franchisee agrees to display at the Franchised Business facility, both inside and outside, only those signs, emblems, designs, artwork, lettering, logos, and display and advertising materials that Franchisor approves during the Term of this Agreement. Franchisee further agrees to maintain the condition and appearance of the Franchised Business facility in accordance with the standards of Franchisor's mandatory System, consistent with the image of a Franchised Business as a professionally operated business offering high-quality services and products, and observing the highest standards of professionalism, cleanliness, and courteous service.

To this end, Franchisee agrees to take, at its expense during the Term of this Agreement, the following actions: (1) thoroughly clean, repaint, and redecorate the interior and exterior of the Franchised Business facility at intervals that Franchisor may prescribe; (2) repair the interior and exterior of the Franchised Business facility as needed and where it is within Franchisee's authority to do so; and (3) repair or replace, at Franchisor's direction, any damaged, worn-out, or obsolete equipment at intervals that Franchisor may prescribe, or as needed if no interval is prescribed.



## Franchise Agreement

In addition to the obligations described above, Franchisee acknowledges that Franchisor may, as part of a national directive that applies to all similarly situated franchisees, to periodically require it to substantially alter the appearance, layout, and/or design of its Franchised Business facility, and/or replace a material portion of its equipment, to meet Franchisor's then-current requirements for new System franchised business locations. Franchisee agrees to comply with this obligation and any reasonable requirements of Franchisor, which may include making extensive structural changes to, and significantly remodeling and renovating, the Franchised Business facility, and incurring any capital expenditures required to comply. Franchisor agrees to consider any reasonable requests of Franchisee to be exempted from these particular requirements.

Franchisor will not require the Franchisee to make a fundamental and material change to the design of the Franchised Business facility within the first three (3) years of its operation or more often than every three (3) years thereafter. Additionally, any such required change will not exceed a total cost of \$10,000 for each three (3) year period. Within sixty (60) days after receiving written notice from Franchisor, Franchisee must have plans prepared according to the standards and specifications prescribed by Franchisor and, if Franchisor requires, using architects and contractors designated or approved by Franchisor, and submit those plans to Franchisor for approval. Franchisee must complete all work according to the approved plans within the reasonable time period specified by Franchisor. However, nothing in this paragraph limits Franchisee's obligation to comply with all mandatory System Standards.

**11.3.1 Waiver of Liability.** The Franchisor will not be responsible for any expenses, losses, or damages incurred by the Franchisee due to any modifications mandated by § 11.3. The Franchisee agrees not to initiate or participate in any legal proceedings against the Franchisor or any third party regarding such modifications or seeking compensation for any resulting expenses, losses, or damages. Additionally, the Franchisee explicitly renounces any claims, demands, or damages arising from or relating to the modifications described in § 11.3, including but not limited to claims of contract violation, breach of fiduciary duty, fraud, and violation of the implied covenant of good faith and fair dealing.



# Franchise Agreement

## **11.4 Services and Products Franchisee Offers at Its Franchised Business**

Franchisee agrees to the following terms: (1) the Franchised Business will offer all services and products that Franchisor periodically specifies and are otherwise updated in the Operations Manual from time to time; (2) Franchisee will not offer, sell, give away, or otherwise provide any services or products that Franchisor has not authorized; (3) Franchisee shall not sell any products at wholesale or through any channel of distribution other than retail sales at the Franchised Business (including, but not limited to, sales via mail order, catalogs, toll-free telephone numbers, and electronic means including the Internet); (4) Franchisee shall not perform waxing or sugaring services or sell any products from any location other than the Franchised Business (or other franchised businesses approved by separate agreements with Franchisor); and (5) Franchisee will discontinue selling and offering for sale any services or products that Franchisor disapproves in writing at any time.

Without limiting the generality of the foregoing, Franchisee understands that it may not offer or sell waxing, sugaring, or similar services at the Franchised Business facility without Franchisor's prior written approval.

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

Franchisor reserves the right to periodically designate and approve standards, specifications, suppliers, and/or distributors of the Operating Assets, Products, and support services periodically authorized or required for use at the Franchised Business. During the Term of this Agreement, Franchisee must acquire all Operating Assets, Products, and services for the Franchised Business according to Franchisor's standards and specifications and, if required, only from suppliers or distributors designated or approved by Franchisor (which may include or be limited to Franchisor and/or its affiliates, and if it does, Franchisor agrees to charge prices that are market competitive). The Franchisee is permitted to obtain products and services at the best available prices at any time, provided these are non-proprietary to the Franchisor and available from other suppliers with the same exact specifications as those designated by the Franchisor.

Franchisee acknowledges and agrees that Franchisor and/or its affiliates may derive revenue based on Franchisee's purchases and leases (including, without limitation, charging Franchisee for products and services provided by Franchisor



# Franchise Agreement

or its affiliates and from promotional allowances, volume discounts, and other payments made to Franchisor by suppliers designated or approved for some or all of its franchisees).

If Franchisee wants to use any Operating Assets, Products, or support services that Franchisor has not yet evaluated or purchase any item from a supplier or distributor that Franchisor has not yet approved (for items that Franchisor requires Franchisee to purchase from designated or approved suppliers or distributors), Franchisee must first submit sufficient information, specifications, and samples for Franchisor to determine whether the item complies with its standards and specifications or the supplier or distributor meets its criteria.

Franchisor may condition its approval of a supplier or distributor on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service (including prompt attention to complaints), or other criteria. Franchisor has the right to inspect the proposed supplier's or distributor's facilities and to require the proposed supplier or distributor to deliver product samples or items, either directly to Franchisor or to any independent, certified laboratory designated for testing.

Franchisor may require either Franchisee or the proposed supplier or distributor to reimburse Franchisor its costs to make the evaluation. Franchisor reserves the right to periodically re-inspect the facilities and products of any approved supplier or distributor and to revoke its approval if the supplier, distributor, or product does not continue to meet its criteria.

## **11.6 Compliance with Laws and Good Business Practices**

Franchisee has the sole responsibility to research and comply with all applicable federal, state, and local laws and regulations governing the operation of the Franchised Business to ensure that such operation does not violate any federal, state, or local law or regulation. The Franchised Business must comply with various federal laws, including but not limited to the American with Disabilities Act, the CAN-SPAM Act, the applicable laws, and regulations pertaining to advertising and marketing, including federal and state laws pertaining to telemarketing (including the Telephone Consumer Protection Act), the Telemarketing Sales Rule, and other federal and state anti-solicitation laws regulating phone calls, spamming, and



# Franchise Agreement

faxing. Franchisee must investigate these laws to understand its potential legal obligations. Franchisee must secure and maintain all required licenses, permits, and certificates relating to the Franchised Business's operation and operate the Franchised Business in full compliance with all applicable laws, ordinances, and regulations. All estheticians providing services at the Franchised Business must also always maintain all required licenses.

Franchisee must adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in all dealings with customers, suppliers, Franchisor, and the public. Franchisee must refrain from any business or advertising practice which might injure Franchisor's business or the goodwill associated with the Marks or other System franchised businesses. Franchisee must notify Franchisor in writing within five (5) days of: (1) the commencement of any action, suit, or proceeding relating to the Franchised Business; (2) the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality which might adversely affect its operation or financial condition or that of the Franchised Business (including the revocation or threatened revocation of any license, permit, or certification applicable to the Franchised Business); and (3) any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

## **11.7 Insurance**

During the term of this Agreement, Franchisee is required to obtain and maintain insurance policies at its sole cost and expense and provide proof of coverage to Franchisor upon request. These insurance policies must conform to the minimums set forth in Exhibit 3.

Franchisor may also require Franchisee to carry additional insurance as specified in the Operations Manual or as required from time to time. Franchisee shall procure insurance policies only from carriers approved by Franchisor and with a rating of A-VIII or better by Alfred M. Best & Company, Inc., or according to criteria as specified by Franchisor from time to time. The policies must name Franchisor and specifically named affiliates and direct and indirect parent companies designated in writing by Franchisor and waive all subrogation rights against Franchisor. Franchisee shall provide thirty (30) days prior written notice to Franchisor of any termination, expiration, cancellation, or modification of any policy. Franchisor may, where reasonable, increase the minimum protection





# Franchise Agreement

requirement and require additional types of insurance at any time. Franchisee must provide proof of renewal or extension of insurance policies annually to Franchisor. If Franchisee fails to obtain or maintain any insurance coverage required by Franchisor, Franchisor may obtain such coverage on Franchisee's behalf and Franchisee shall reimburse Franchisor for the costs and premiums incurred, plus an administrative fee of \$100. Franchisee's obligation to obtain and maintain insurance coverage is not limited by any insurance maintained by Franchisor and shall not relieve Franchisee of any indemnification obligations contained in the Agreement. Franchisor reserves the right to request a copy of the certificate of insurance at any time to confirm coverage.

The Franchisor reserves the right to update the insurance requirements for Franchisee as needed to address changing exposures and evolving risk factors. This flexibility ensures that both the Franchisee and Franchisor remain adequately protected as the business environment and industry landscape evolve. Franchisee will be notified of any changes to the insurance requirements and are expected to comply with the updated coverage standards to maintain this Agreement.

## **11.8 Maximum and Minimum Prices**

To the extent permitted by applicable law, Franchisor may periodically establish maximum and/or minimum prices for services and products that Franchisee's Franchised Business offers, including, without limitation, prices for promotions in which all or certain System franchised businesses must participate.

## **11.9 Compliance with Mandatory System Standards**

Franchisee is required to comply with all System Standards that Franchisor designates as mandatory. The Operations Manual is incorporated into this Agreement and the mandatory System Standards included in it and other materials provided to Franchisee are binding obligations under this Agreement. Franchisee may determine, at its discretion, whether suggested or recommended System Standards should be applied to its Franchised Business.

Mandatory System Standards exist to protect the goodwill of the Marks and maintain the integrity of the brand in the Franchise System. Franchisee acknowledges that compliance with mandatory System Standards is essential for the success of its Franchised Business. Franchisee also agrees that operating and



# Franchise Agreement

maintaining its Franchised Business in compliance with the mandatory System Standards is necessary to preserve consistency throughout the Franchise System, the integrity of the brand, and the goodwill of the Marks. Therefore, Franchisee agrees to comply with every mandatory System Standard, as Franchisor modifies and supplements them periodically. Mandatory System Standards may regulate necessary aspects of Franchisee's Franchised Business operation and maintenance.

## Article XII: Digital Media

### 12. Websites, Interactive Media, and Social Media

#### 12.1 Franchise Website

Franchisor has a Website and will add Franchisee's Franchised Business to a directory of System locations maintained on the Website. The directory will link to a page specific to Franchisee's Franchised Business that will, at a minimum, include an address, a map, store hours, a phone number for text booking, and a booking link.

Franchisee acknowledges and agrees that any Website it creates is subject to approval by Franchisor. As used in this Agreement, the term "Website" refers to an interactive electronic document, mobile media, or social media tool or page, or internet presence, contained in or utilizing a network of computers linked by communications software, including the internet, world wide web, and any similar successor technology. This includes texting, social media promotions, postings, or sites, such as Facebook, Twitter, and Instagram, as well as any other electronic, mobile, or digital device, method, or system enabling the transmission of information. In connection with any Website that refers to the Franchised Business, the services or products offered by the Franchised Business, or the Marks, Franchisee agrees to the following:

12.1.1 Franchisee is prohibited from establishing a separate Website without prior written consent from Franchisor.



## Franchise Agreement

12.1.2 If Franchisor approves, in writing, a separate Website for Franchisee, the following provisions shall apply:

12.1.2.1 Franchisee is not permitted to establish or use the Website without prior written approval from Franchisor.

12.1.2.2 Before establishing the Website, Franchisee shall submit a sample of the proposed Website domain name, format, visible content (including, but not limited to, proposed screen shots), and non-visible content (including, but not limited to, meta tags) to Franchisor for prior written approval, in a form and manner reasonably required by Franchisor. Franchisee shall not use or modify such Website without prior written approval from Franchisor as to the proposed use or modification.

12.1.2.3 In addition to any other applicable requirements, Franchisee shall comply with Franchisor's standards and specifications for Websites as prescribed from time to time in the Operations Manual or otherwise in writing.

12.1.2.4 Franchisee shall establish hyperlinks to Franchisor's Website and others as Franchisor may request in writing.

12.1.2.5 Franchisor may revoke its approval at any time, in writing, and require that Franchisee discontinue use of a separate Website.

12.1.2.6 Franchisee shall ensure compliance with all standards, laws, rules, regulations or any equivalent thereof relating to personal information, data privacy and data protection, including but not limited to the California Consumer Privacy Act, Cal. Civ. Code § 1798.100, et seq., and must comply with any privacy policies or data protection and breach response policies established periodically by Franchisor.



# Franchise Agreement

## 12.2 Social Media

Franchisee and its staff must comply with the standards developed by Franchisor for the System, in the manner directed by Franchisor in the Operations Manual or otherwise, with regard to Franchisor's authorization to use, and use of, blogs, common social networks (including Facebook and Instagram), professional networks (including LinkedIn), live blogging tools (including Twitter), virtual worlds, file, audio and video sharing sites, and other similar social networking media or tools ("Social Media") that in any way reference the Marks or involve the Franchise System, Franchised Business, or the Franchised Business.

Hello Sugar Media has the exclusive right to manage paid advertisements and marketing campaigns on Social Media, and absent written consent from the Franchisor, Franchisee will not implement its own paid Social Media campaign. Violation of this provision is a material default of the Agreement.

## Article XIII: Inspections and Audits

### 13. Franchisor's Right to Inspect and Audit

#### 13.1 Franchisor's Right to Inspect

To determine whether Franchisee and its staff are complying with this Agreement and all mandatory System Standards, Franchisor and its designated agents and representatives may, at all times and without prior notice to Franchisee:

- (1) inspect the Franchised Business;
- (2) observe, photograph, and videotape the Franchised Business's operation (including so-called "mystery shopping") for consecutive or intermittent periods deemed necessary by Franchisor;
- (3) remove samples of any Products;
- (4) interview Franchisee's personnel and customers; and
- (5) inspect and copy any books, records, and documents relating to Franchisee's operation.



# Franchise Agreement

In connection with the foregoing, Franchisee agrees to cooperate fully with Franchisor. If Franchisor exercises any of these rights, it will use commercially reasonable efforts not to interfere unreasonably with Franchisee's operation. Franchisee agrees to present to its customers the evaluation forms that Franchisor periodically prescribes and to participate and/or request its customers to participate in any surveys performed by or for Franchisor. Franchisor may also engage a third party to conduct and audit and/or quality review of the Franchised Business and Franchisee must reimburse Franchisor for its expenses in engaging a third party to conduct this audit or quality review if Franchise fails such inspection/quality review.

## **13.2 Franchisor's Right to Audit**

Franchisee's records may be examined by Franchisor, its representatives, or independent accountants at any time during Franchisee's business hours without prior notice. Franchisee agrees to cooperate fully with Franchisor in any inspection or audit. In case of understatement of Franchisee's Gross Revenue, Franchisee must pay Franchisor within fifteen (15) days after receiving the inspection or audit report, the Royalty and contributions to the Brand Fund and any Regional Cooperatives due on the understated amount, plus interests per this Agreement. If an inspection or audit is necessary due to Franchisee's failure to furnish reports or other required information, or if the examination reveals an understatement exceeding two percent (2%) of the amount reported to Franchisor, Franchisee agrees to reimburse Franchisor for the examination's cost and expense, including attorneys' and independent accountants' fees and employee travel expenses, room and board, and compensation. These remedies are in addition to Franchisor's other remedies and rights under this Agreement and applicable law.



# Franchise Agreement

## Article XIV: Transfer Rights

### 14. Transfers of Ownership

#### 14.1 Franchisor Transfer of Ownership

The Franchisor reserves the right to change its ownership or form and/or assign this Agreement and any other agreement without restriction. In such cases, this Agreement and any other agreement will be transferred to and inure to the benefit of any transferee or other legal successor.

#### 14.2 Franchisee Transfer of Ownership

Franchisee acknowledges that the rights and obligations under this Agreement are personal to it and granted based on its (and its principals') character, skills, aptitude, English language proficiency, business ability, and financial capacity. Therefore, Franchisee cannot Transfer or assign this Agreement, the Franchised Business, or its assets, or any ownership interest without Franchisor's prior written approval. Any Transfer without such approval is considered a breach of this Agreement and has no effect. The term "Transfer" includes any voluntary or involuntary assignment, sale, gift, merger, consolidation, exchange of shares or ownership interests, issuance of additional ownership interests or securities, redemption of shares, sale or exchange of voting interests or securities convertible to voting interests, transfer of interest in Franchisee, this Agreement, the Franchised Business, or any of its assets, or pledge of this Agreement as security or collateral. If Franchisor approves a Transfer, the transferee must assume this Agreement or sign Franchisor's then-current form of franchise agreement and related documents as required.

#### 14.3 Conditions for Approval of Transfer

Franchisee must obtain Franchisor's approval before any Transfer except a transfer that meets the requirements of § 14.4. The proposed buyer(s) must be deemed by Franchisor to have the moral character, business experience, English language proficiency, aptitude, and financial resources necessary to own and operate a Franchised Business and meet Franchisor's then-current franchisee standards. Additionally, Franchisee and each of its owners ("Owner(s)") must be in full



## Franchise Agreement

compliance with this Agreement, and all the following conditions must be met either prior to or concurrently with the sale's effective date:

14.3.1 All obligations incurred by Franchisee in connection with this Agreement or the Franchisor Franchisee relationship have been discharged or assumed by the buyer(s).

14.3.2 Franchisee has paid all outstanding royalties, contributions to the Brand Fund and to the Regional Cooperative, if any, and amounts owed for purchases from Franchisor, and any other outstanding fees owed to Franchisor or any of Franchisor's suppliers.

14.3.3 The buyer(s) have completed the required training programs for new franchisees under this Agreement.

14.3.4 The buyer(s) have provided proof of meeting the minimum net worth and liquidity requirements established by Franchisor.

14.3.5 The buyer(s) are in full compliance with any existing franchise agreements.

14.3.6 The lessor has granted consent to assign the lease to the buyer(s), or the buyer(s) have found substitute premises that meet Franchisor's approval under this Agreement.

14.3.7 At Franchisor's option, either (i) the buyer(s) and its or their owner(s) execute an assignment agreement and personal guaranty and agree to be bound by the existing franchise agreement and ancillary agreements that accompanied the grant of the franchise under this Agreement for the transferred Franchised Business, or (ii) the buyer(s) and its or their owner execute the then-current franchise agreement and its ancillary agreements, with the term to begin on the effective date of such agreement.

14.3.8 Either Franchisee or the buyer(s) pay the Transfer Fee.

14.3.9 The buyer(s) replace or refurbish fixtures, signs, equipment, furniture, and furnishings, and modify the methods and operations of the



# Franchise Agreement

Franchised Business to comply with the specifications and standards then applicable to new franchises.

14.3.10 Franchisee and its Owner(s) reaffirm a covenant not to compete with Franchisor and the buyer(s).

14.3.11 Franchisee and the Owner(s) enter into an agreement that the Owner(s)' and Franchisee's rights with respect to the buyer are subordinate to Franchisor's rights with the Owner(s) and Franchisee.

14.3.12 Franchisee complies with Franchisor's insurance requirements, including purchasing tail insurance for at least three (3) years following the sale that provides the coverage mandated for the operation of the Franchised Business prior to the transfer.

14.3.13 Franchisor has not exercised its right of first refusal under this Agreement under this Article 14.

14.3.14 Franchisee and the buyer(s) must execute a general release in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders, members, managers, and employees, in their corporate and individual capacities. Franchisor will sign a general release of Franchisee in a form furnished by Franchisee and approved by Franchisor provided all the requirements of this section have been met.

14.3.15 Franchisee and the buyer(s) provide Franchisor a copy of the purchase agreement for Franchisor's approval relating to the proposed transfer with all supporting documents and schedules.

Furthermore, if the proposed transfer is to an entity described in § 14.4 below, the Transfer Fee will not apply, although Franchisee must reimburse Franchisor for the costs it incurs in the transfer, including any reasonable personnel and legal expenses. Franchisor may review all information regarding the Franchised Business that Franchisee gives the transferee and give the transferee copies of any reports that Franchisee has given to Franchisor or that Franchisor has made regarding the Franchised Business.





# Franchise Agreement

## 14.4 Transfer to Entity Principally Controlled by Same Owners

Franchisor allows for the franchise and its assets and liabilities to be assigned to a newly-formed corporation or other legal entity that conducts no business other than the operation of the Franchised Business and in which Franchisee and any of its principals own and control in the aggregate not less than one hundred percent (100%) of the equity and voting power of all outstanding capital stock or ownership interest, provided the following conditions are met:

14.4.1 The proposed transferee complies with the provisions of this Agreement;

14.4.2 Franchisee is empowered to act for said corporation or other legal entity;

14.4.3 Franchisee submits to Franchisor documentation that Franchisor may reasonably request to effectuate the transfer, including the approving and acknowledging execution of this Agreement;

14.4.4 Franchisee submits to Franchisor a true and complete list of the shareholders, members, or partners, showing the number of shares or interests owned, and a list of the officers and directors if a corporation, or managers if a limited liability company, or managing partners if a partnership. Franchisor shall be promptly notified of any changes in said lists;

14.4.5 All certificates of shares or interests issued by transferee at any time shall have endorsed thereon an appropriate legend to conform with state law, referring to this Agreement by date and name of parties hereto, and stating "Transfer of This Certificate is Limited by the Terms and Condition of a Franchise Agreement Dated \_\_\_\_\_;"

14.4.6 A copy of this Agreement shall be given to every shareholder, member, or partner of the legal entity, all of whom shall execute an Assignment Agreement in the form prepared by Franchisor to effect this assignment and who, along with their respective spouses, shall also execute the Guaranty and Assumption of Obligations;



# Franchise Agreement

14.4.7 A copy of the organizational documents and any corporate resolutions, and a Certificate of Good Standing, will be furnished to Franchisor at its reasonable request, and prompt notification in writing of any amendments thereto will be provided to Franchisor; and

14.4.8 The number of shares or interests issued or outstanding in the transferee will not be increased or decreased without prior written notice to Franchisor and only in compliance with §§ 14.2–14.3 above. In addition, new shareholders, members, or partners must agree to be bound by this entire Agreement. Shareholders, members, or partners may make a separate agreement among them providing for purchase by the survivors among them of the shares of any shareholders or interests of any members or partners upon death, or other agreements affecting ownership or voting rights, so long as voting control, and a majority representation of the board of directors or members or partners remains with those individuals who initially applied for and were approved as franchisees under this Agreement. Shareholders, members, or partners must notify Franchisor in writing of any such agreement which affects control of the transferee.

## **14.5 Transfers Upon Death or Disability**

14.5.1 *Transfer Upon the Death or Disability of an Operating Principal.* Upon the death or Disability of the Operating Principal, the Operating Principal's trustee, executor, administrator, conservator, guardian, or other personal representative must transfer the Operating Principal's interest in this Agreement, the Lease, the Business and its assets, or the Operating Principal's ownership interest in the Entity holding the Franchise, to a third party or to another existing Owner. That transfer (including, without limitation, transfer by bequest or inheritance) must occur, subject to Franchisor's rights under § 14.5.2 below, within a reasonable time, not to exceed six (6) months from the date of death or disability and is subject to all of the terms and conditions in § 14.3, as well as to any other requirements Franchisor has for Operating Principals. A failure to transfer such interest within this time period is a breach of this Agreement. The term "Disability" (or its derivatives, like "Disabled") means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually



# Franchise Agreement

does prevent the Operating Principal from supervising the management and operation of Franchised Business for ninety (90) or more consecutive days.

**14.5.2 Operation Upon the Death or Disability of an Operating Principal.** If, upon the death or Disability of the Operating Principal, Franchisee does not have a General Manager to manage the day-to-day operations of the Franchised Business, the other Owner(s), if there are any; or if not, then the Operating Principal's trustee, executor, administrator, conservator, guardian, or other personal representative must, within a reasonable time, not to exceed thirty (30) days from the date of death or Disability, appoint a General Manager approved by Franchisor to operate the Franchised Business. Any new General Manager that Franchisee appoints must, at Franchisee's expense or at the expense of the Operating Principal's estate, satisfactorily complete the training designated by Franchisor within the time period specified. In the event the Operating Principal is Disabled, Franchisor has the right to evaluate the capabilities of the General Manager to determine whether they can operate as the General Manager during a period in which the Operating Principal will likely not be able to supervise the General Manager on a full-time basis. For the avoidance of any doubt, retaining a General Manager does not alleviate the obligation of the surviving Owner(s) or the Operating Principal's trustee, executor, administrator, conservator, guardian, or other personal representative, depending on the circumstances, to designate a new Operating Principal.

## **14.6 Effect of Consent to Transfer**

Franchisor's consent to any transfer shall not be deemed as a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the transferee's prospects of success, or a waiver of any claims that Franchisor has against Franchisee or of Franchisor's right to demand the transferee's full compliance with the terms and conditions of this Agreement.

## **14.7 Franchisor's Right of First Refusal**

If Franchisee or any of its Owners, or the owner of any ownership interest in an entity with an ownership interest in Franchisee decides to sell or Transfer for consideration the rights granted by this Agreement and the Franchised Business (or all or substantially all of its Operating Assets), any ownership interest in



## Franchise Agreement

Franchisee, or any ownership interest in an entity with an ownership interest in Franchisee (except to or among the current owners or in a transfer under § 14.4, which are not subject to this § 14.7), Franchisee or its Owners must obtain a bona fide, executed written offer relating exclusively to an interest in Franchisee or in the Franchised Business from a responsible and fully disclosed buyer and submit a true and complete copy of such offer to Franchisor ("Offer"). The Offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. The proposed purchase price must be in a fixed dollar amount and without any contingent payments of purchase price (such as earn-out payments) to be a valid, bona fide Offer. Franchisor may require that Franchisee (or its owners) send copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

For a period of thirty (30) days from the date of the delivery of the Offer, Franchisor shall have the right, exercisable by written notice to Franchisee or its Owners, to purchase the Franchised Business or such ownership interest in Franchisee for the price and on the terms and conditions contained in such Offer, provided that:

14.7.1 Franchisor may substitute cash for any form of payment proposed in the offer;

14.7.2 Franchisor's credit will be deemed equal to the credit of any proposed buyer;

14.7.3 the closing will be not less than thirty (30) days after notifying Franchisee of Franchisor's election to purchase or, if later, the closing date proposed in the Offer; and

14.7.4 Franchisor must receive, and Franchisee and its Owners agree to make, all customary representations and warranties given by the seller of the assets of a business or ownership interests in a legal entity, as applicable, including, without limitation, representations and warranties regarding ownership and condition of, and title to, assets and (if applicable) ownership interests, liens and encumbrances, and 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,



# Franchise Agreement

and conditions that existed or occurred in connection with the Franchised Business prior to the closing of Franchisor's purchase.

If Franchisor does not exercise its right of first refusal, Franchisee and its Owners may complete the sale to the proposed buyer on the original Offer's terms, but only if Franchisor approves the transfer as provided in §§ 14.2–14.3 of the Agreement. If Franchisee does not complete the sale to the proposed buyer (with Franchisor's approval) within sixty (60) days after Franchisor notifies Franchisee that it does not intend to exercise its right of first refusal, or if there is a material change in the terms of the sale (which Franchisee must promptly notify Franchisor of), Franchisor will have an additional right of first refusal during the thirty (30) day period following either the expiration of the sixty (60) day period or Franchisor's receipt of notice of the material change(s) in the sale's terms, either on the terms originally offered or the modified terms, at Franchisor's option.

Franchisor has the right to assign its right of first refusal under this § 14.7. to any person or entity (who may be an affiliate), and that person or entity will have all of the rights and obligations under this § 14.7. Upon such assignment, Franchisee and its Owners acknowledge and agree that all of Franchisor's duties and obligations are discharged, and Franchisor shall have no liability to Franchisee or its Owners. If Franchisor does not exercise its right of first refusal, Franchisee and its Owners may complete the sale of the Franchised Business or such ownership interest pursuant to and on the terms and conditions of such offer, subject to Franchisor's approval of the purchaser in § 14.3 of this Agreement.

## Article XV: Rights in Default

### 15. Rights in Default, Including Termination of Agreement

#### 15.1 Termination for Insolvency

Franchisee shall be in default under this Agreement, and all rights granted to it herein shall automatically terminate without notice, if it makes an assignment for the benefit of creditors or admits in writing its insolvency or inability to pay its debts generally as they become due; Franchisee consents to the appointment of a receiver, trustee, or liquidator of all or the substantial part of its property; the



# Franchise Agreement

Franchised Business or its assets are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee, or liquidator of Franchisee or the Franchised Business is not vacated within thirty (30) days following the order's entry.

## **15.2 Immediate Termination for Uncurable Defaults**

Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice:

15.2.1 If Franchisee has made or makes a material misrepresentation or omission in acquiring the Franchise Business or operating its Franchised Business;

15.2.2 If Franchisee breaches § 11.4 of the Agreement;

15.2.3 If Franchisee's Operating Principal (or a substitute Operating Principal that Franchisee appoints) or its General Manager does not satisfactorily complete the Initial Management Training Program, and Franchisor does not elect its option to allow additional training under § 5.1;

15.2.4 If Franchisee abandons or fails actively to operate its Franchised Business for three (3) or more consecutive calendar days, unless it closes the Franchised Business for a purpose Franchisor approves;

15.2.5 If Franchisee surrenders or transfers control of the operation of its Franchised Business without Franchisor's prior written consent;

15.2.6 If an Owner of Franchisee is convicted by a trial court of, or pleads no contest to, a felony;

15.2.7 If Franchisee interferes with Franchisor's right to inspect the Franchised Business or its records or observe its operation, as provided in Section 13;



## Franchise Agreement

15.2.8 If Franchisee engages in (a) any conduct which is objectively dishonest, unethical, offensive, or illegal, or (b) any other conduct which objectively and adversely affects the reputation of Franchisee's Franchised Business, the reputation of other System franchised businesses, or the goodwill associated with the Marks;

15.2.9 If Franchisee makes an unauthorized transfer in breach of Section 14 of this Agreement;

15.2.10 If the lease for the Approved Location is terminated for any reason or Franchisee otherwise loses possession of the Approved Location;

15.2.11 If Franchisee knowingly makes any unauthorized use or disclosure of any part of the Operations Manual or any other Confidential Information;

15.2.12 If Franchisee knowingly makes any unauthorized use of Franchisor's Marks or Copyrights;

15.2.13 If Franchisee violates any law, ordinance, or regulation relating to the ownership or operation of the Franchised Business (including, without limitation, any law pertaining to health, safety, or sanitation or licensing), or operates its Franchised Business in an unsafe manner, and (if the violation can be corrected) it does not begin to correct the violation immediately, and correct the violation fully within seventy-two (72) hours, after receiving notice of the violation from Franchisor;

15.2.14 If Franchisee fails to pay when due any federal, state, or local income, service, sales, or other taxes due with respect to the operation of its Franchised Business, or repeatedly fails to make or delays making payments to its suppliers or lenders, unless it is in good faith contesting its liability for these taxes or payments;

15.2.15 If Franchisee understates its Gross Revenue two (2) times or more during this Agreement's term or by more than two percent (2%) on any one occasion;

15.2.16 If Franchisee (a) fails on three (3) or more separate occasions within any twenty-four (24) consecutive month period to submit when due reports



# Franchise Agreement

or other data, information or supporting records, pay when due any amounts due to Franchisor (or its affiliates), or otherwise comply with this Agreement, whether or not it corrects any of these failures after Franchisor delivers written notice; or (b) fails on two (2) or more separate occasions within any twelve (12) consecutive month period to comply with the same obligation under this Agreement, whether or not it corrects either of the failures after Franchisor delivers written notice;

15.2.17 If Franchisee defaults under a promissory note or loan agreement with respect to any material financing arrangement and fails to cure the default before the expiration of the cure period, if any; or

15.2.18 If Franchisor sends a notice of termination, no matter the reason, under any other franchise agreement or development agreement to which Franchisee or one of its affiliates is a party or owns any direct or indirect ownership interest in a System franchised business operating under any other franchise agreement or development agreement with Franchisor or one of its affiliates.

## **15.3 Termination After 10-Day Cure Period**

Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement by giving written notice of termination stating the nature of the default to Franchisee at least ten (10) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the ten (10) day period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the ten (10) day period or such longer period as applicable law may require.

15.3.1 If Franchisee fails to pay Franchisor (or its affiliates) any amounts or it fails to pay any other financial obligation of its Franchised Business;

15.3.2 If Franchisee fails to maintain the insurance Franchisor requires from time to time;





# Franchise Agreement

15.3.3 If Franchisee violates § 12.2;

15.3.4 If any license or permit necessary for the proper operation of Franchisee's Franchised Business is suspended, revoked, or not renewed;

15.3.5 If Franchisee fails to comply with its obligations under the Code of Conduct contained in the mandatory System Standards or Operations Manual (including the minimum requirements for managers, waxing/sugaring service providers, and estheticians).

## **15.4 Termination After 30-Day Cure Period**

Except as otherwise provided in §§ 15.1, 15.2, and 15.3 of this Agreement, upon any other default by Franchisee that, in Franchisor's discretion, is subject to cure, Franchisor may terminate this Agreement by giving written notice of termination, stating the nature of the default, to Franchisee at least thirty (30) days prior to the effective date of termination. However, Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the thirty (30) day period. If Franchisee does not cure any such default within the specified time or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require.

## **15.5 Remedies Available Upon Default**

In addition to other rights under this Agreement and the law, if Franchisee is in violation of §§ 15.1, 15.2, 15.3, or 15.4, Franchisor can choose to take one or more of the following actions without ending the Agreement:

15.5.1 Make the Territory smaller, either temporarily or permanently. If this happens, the rules in Article 2 won't apply to the area removed from the Territory;

15.5.2 Temporarily remove information about the Franchised Business from the Website and/or stop Franchisee or the Franchised Business from participating in programs or benefits on the Website;



## Franchise Agreement

15.5.3 Suspend Franchisee's right to join one or more programs or benefits provided by the Brand Fund and/or funded by Franchisee's contributions;

15.5.4 Suspend other services that Franchisor or its affiliate offers to Franchisee under this Agreement or any other agreement;

15.5.5 Suspend or end any temporary or permanent fee discounts Franchisor may have agreed to (as a policy, in an amendment to this Agreement, or in another way);

15.5.6 Refuse to give any operational support required by this Agreement or chosen by Franchisor; and/or

15.5.7 Enter the Franchised Business's premises and take over managing the Franchised Business or appoint a third party (which may be an affiliate or other delegee) to manage it. If Franchisor or its assignee does so, the manager will not control the working conditions of the Franchised Business directly or indirectly, except when such control relates to protecting the quality of products, services, or the brand. All funds from operating the Franchised Business while Franchisor or its appointee manages it will be kept in a separate account, and all expenses will be charged to that account. Franchisor or its appointee may charge Franchisee a reasonable management fee, up to twenty percent (20%) of the Franchised Business's Gross Revenue, plus direct out-of-pocket costs, and expenses.

Franchisor or its appointee will use reasonable efforts and won't be liable to Franchisee for debts, losses, or obligations the Franchised Business incurs, or to any creditors for products or services purchased while managing it. Franchisee won't interfere with Franchisor or its appointee's exclusive right to manage the Franchised Business. The management will continue for intervals of up to ninety (90) days each, with periodic evaluations and discussions about Franchisee's ability to resume operations.

Franchisor's exercise of rights in this § 15.5 won't be a defense for Franchisee concerning enforcement of other provisions or release Franchisee from other obligations. The exercise of these rights won't be considered termination of the Agreement or the only remedy for Franchisee's default. Franchisee must still pay all fees and comply with all obligations (except as



# Franchise Agreement

stated in § 15.5.7) even if Franchisor exercises these rights, although Franchisor will use the revenue generated to pay many operating and franchise-related expenses of the Franchised Business during management; however, Franchisor will only pay expenses up to the available funds (less a reasonable reserve for working capital). Franchisee remains obligated to pay separate fees and expenses not directly related to day-to-day operations, such as debt service and taxes.

If Franchisor requests, Franchisee must execute a management agreement to facilitate Franchisor or its appointee acting as manager under this § 15.5.7. Franchisor or a third party may assume management of the Franchised Business under this section for various reasons, including Franchisee abandoning or failing to operate the Franchised Business, deciding whether to exercise the option to purchase the Franchised Business upon termination or expiration of the Agreement, or transitioning the Franchised Business to another System franchisee or winding down the Franchised Business. If Franchisor exercises any rights under this § 15.5.7, it may terminate the Agreement without providing additional corrective or cure periods, unless the default causing the termination has been satisfactorily resolved.

## Article XVI: Rights and Obligations Upon Termination

### 16. Parties' Rights and Obligations After Termination

#### 16.1 Payment of Amounts Owed

Within fifteen (15) days after the earlier of the termination or expiration of this Agreement, or on any later date that Franchisor designates, Franchisee will pay Franchisor all accrued and unpaid and otherwise outstanding Royalties, Brand Fund contributions, Regional Cooperative contributions, Technology Fees, Software Fees, and interest charges, as well as all other outstanding amounts owed to Franchisor, its affiliates, or approved suppliers. Regardless of whether this Agreement expires or is terminated earlier, if Franchisee's Franchised Business ceases operating due to the expiration or earlier termination of this Agreement, Franchisee acknowledges and agrees that it remains obligated to continue to pay



# Franchise Agreement

all fees, expenses, and Reciprocity Rate Adjustments associated with the then-active membership agreements to which it is a party and gift cards it previously sold.

## 16.2 De-Identification

When this Agreement expires or is terminated for any reason:

16.2.1 Franchisee shall not directly or indirectly, at any time thereafter or in any manner (except in connection with other System franchised businesses it owns and operates): (a) identify itself or any business as a current or former System franchisee or as one of Franchisor's franchisees; (b) use any copyright, Mark, any colorable imitation of a Mark, any trademark, service mark, or commercial symbol that is confusingly similar to any Mark, or other indicia of a System franchised business in any manner or for any purpose; or (c) use for any purpose any trade name, trademark, service mark, or other commercial symbol that indicates or suggests a connection or association with Franchisor;

16.2.2 Franchisee agrees to take the action required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Mark;

16.2.3 Franchisee agrees to deliver to Franchisor within thirty (30) days all advertising, marketing, and promotional materials, forms, and other materials containing any Mark or Copyright or otherwise identifying or relating to a System franchised business that Franchisor requests and allow Franchisor, without liability to Franchisee or third parties, to remove these items from Franchisee's Franchised Business facility;

16.2.4 If applicable, Franchisee must notify all search engines of the termination or expiration of its right to use all domain names, Websites, and other search engines associated directly or indirectly with its Franchised Business and authorize those search engines to transfer to Franchisor or its designee all rights to the domain names, Websites, and search engines relating to the Marks or Franchisee's Franchised Business. Franchisor has the absolute right and interest in and to all domain names, Websites, and search engines associated with the Marks or Franchisee's Franchised Business, and Franchisee hereby authorizes Franchisor to direct all applicable parties to



# Franchise Agreement

transfer its domain names, Websites, and search engines to Franchisor or its designee if this Agreement expires or is terminated for any reason whatsoever. All parties may accept this Agreement as conclusive of Franchisor's right to such domain names, Franchised Business telephone numbers, Websites, and search engines, and this Agreement will constitute the authority from Franchisee for all parties to transfer all such domain names, Websites, and search engines to Franchisor; and

16.2.5 Franchisee agrees to give Franchisor, immediately after the expiration or termination of this Agreement but not more than five (5) business days, evidence satisfactory to Franchisor of its compliance with these obligations.

## **16.3 Confidential Information and Customer Information**

Franchisee agrees that, when this Agreement expires or is terminated, it and its Operating Principals, directors, officers, management and supervisory employees, and other employees who have access to Franchisor's Confidential Information will immediately cease using any of Franchisor's Confidential Information and other intellectual property in any business or otherwise, and return to Franchisor all copies of the Operations Manual and any other confidential materials that Franchisor has loaned to Franchisee or that Franchisee has in its possession or control. Franchisee further acknowledges and agrees that Franchisor is the owner of all Customer Data that Franchisee is using to operate the Franchised Business during the Term of this Agreement. Franchisor grants Franchisee permission to use such data and information, provided, however, that upon the expiration, termination, or transfer of the Franchise, at Franchisor's option, Franchisee must transfer all customer agreements and related information to Franchisor or to the person or entity that Franchisor specifies.

## **16.4 Covenant Not to Compete**

If this Agreement is terminated, transferred, or expires without being renewed, Franchisee agrees that during the No-Competition Period (defined below), neither Franchisee, its Owners, nor any member of an owner's immediate family may have any direct or indirect interest in any Competitive Business (as defined in this Agreement) operating (i) at the Approved Location, (ii) within twenty-five (25) miles of the Approved Location, or (iii) within twenty-five (25) miles of any other



# Franchise Agreement

System franchised business in operation or under construction on the termination or expiration date.

The “No-Competition Period” refers to a period of eighteen (18) months starting on the termination, expiration, or Transfer date. However, if a court finds the eighteen-month (18) period unenforceable due to its duration, the No-Competition Period will be a twelve (12) month period. If Franchisee or an Owner violates this Section during the No-Competition Period, the restricted period will be extended by the amount of time the violation occurred.

Franchisee and its Owners acknowledge that they have general skills and abilities, and other opportunities to use these skills. Therefore, enforcing these covenants will not deprive them of their personal goodwill or ability to earn a living.

Franchisee acknowledges that violating the non-compete covenants in this Agreement would cause immediate and irreparable harm to Franchisor, for which there would be no adequate legal remedy. As a result, Franchisee consents to the issuance of an injunction prohibiting any actions by Franchisee that violate the non-compete covenants outlined in this Agreement.

## **16.5 Franchisor’s Rights to Purchase Franchisee’s Franchised Business**

**16.5.1 Option Exercise:** Upon termination or expiration of this Agreement, Franchisor has the option, exercisable by providing written notice within 30 days after termination or expiration, to purchase the Franchised Business and the real property the Franchised Business occupies (if owned by Franchisee or their affiliate) or only the Franchised Business if property is not owned or if Franchisor chooses not to purchase it. Franchisor can freely assign this option to purchase.

**16.5.2 Premises Rights:** If Franchisee leases the premises from an unaffiliated lessor or if Franchisor decides not to purchase the property, Franchisee agrees to (a) assign the leasehold interest to Franchisor or their designee, (b) enter into a sublease for the remaining lease term under the same terms, or (c) lease the premises to Franchisor or their designee for an initial 10-year term with two 5-year renewal options, on commercially reasonable terms.



# Franchise Agreement

16.5.3 *Purchase Price:* The purchase price for the Business will be either a price agreed upon by Franchisor and Franchisee, or lacking an agreement, will be determined either by a Certified Valuation Analyst or a CPA with an ABV credential ("Business Valuation"). The cost of the Business Valuation will be borne equally by Franchisor and Franchisee.

16.5.4 *Closing.* Concurrent with signing and funding, Franchisee must deliver clear title to all purchased assets, including all licenses and permits that can be assigned or transferred, and an executed lease assignment with consent from the lessor. The purchase price may be reduced by any amounts owed to or its affiliates. If Franchisee cannot deliver clear title to all assets, the sale may proceed through an escrow. The No-Competition Period, as described in § 16.4 of the Agreement, will begin on the closing date, should Franchisor exercise its option to purchase the business.

## 16.6 Continuing Obligations

All obligations of Franchisee and Franchisor that expressly or by their nature survive the expiration or termination of this Agreement will remain in effect and enforceable, even after the Agreement's termination, until such obligations are fulfilled or by their nature expire. Furthermore, Franchisee shall take such action as Franchisor designates to: (i) provide and assign to Franchisor the then-current and up-to-date customer list; and (ii) transfer, disconnect, forward, or assign all telephone numbers, domain names, and social media pages used in connection with the Franchised Business. Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the Conditional Assignment of Telephone Numbers, Social Media Pages, and Domain Names attached hereto as Exhibit 7.



# Franchise Agreement

## **Article XVII: Relationship of the Parties/Indemnification**

### **17. Party Relationships**

#### **17.1 Franchisee Is an Independent Business Owner**

It is mutually understood and agreed that this Agreement does not create a fiduciary relationship between Franchisee and Franchisor. Franchisee is not authorized, either express or implied, to act as an agent of Franchisor or any of its affiliates for any purpose. Franchisee is exclusively responsible for operating its Franchised Business and all related obligations and liabilities, including any claims or demands resulting from injury, illness, or death of any person, directly or indirectly, arising from the operation of the Franchised Business. Moreover, Franchisee and Franchisor are not partners, associates, or joint employers, and they shall not be jointly responsible for any actions or omissions of Franchisee. Franchisor has no relationship with Franchisee's employees, and Franchisee has no relationship with Franchisor's employees. Franchisee agrees to identify itself clearly as the operator of a Franchised Business under a franchise granted by Franchisor in all dealings with customers, suppliers, public officials, personnel, and others.

Franchisee recognizes and acknowledges that the purpose of the training provided by Franchisor for Franchisee's employees is solely to educate them on the various procedures, protocols, systems, and operations of a System franchised business, and that such training does not establish an employment relationship between Franchisor and said employees.

#### **17.2 No Liability for Acts of Other Party**

Both Franchisor and Franchisee agree not to make any express or implied agreements, warranties, guarantees, or representations, or to incur any debt in the name or on behalf of the other party. They also agree not to represent their relationship as anything other than franchisor and franchisee. Franchisor will not be obligated for any damages directly or indirectly arising out of the operation of the Franchised Business or any other activities conducted under this Agreement.





# Franchise Agreement

## 17.3 Taxes

Franchisor will not be held liable for any taxes, including sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, levied upon Franchisee or their Franchised Business due to their business activities. However, Franchisee is responsible for paying these taxes, except for any taxes required by law to be collected by Franchisor from Franchisee for purchases made from Franchisor, and any income taxes owed by Franchisor.

## 17.4 Indemnification

To the fullest extent permitted by law, Franchisee shall defend, indemnify, and hold harmless Franchisor, its affiliates, and subsidiary companies, and their permitted successors and assigns, and each of 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) that any of the Indemnified Parties may suffer, sustain or incur, regardless of whether or not caused in part by Franchisor, 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 the Franchised Business, the business conducted under this Agreement, any breach of this Agreement, and any noncompliance or alleged noncompliance with any law, ordinance, rule or regulation concerning the construction, design or operation of the Franchised Business, including without limitation, the Americans with Disabilities Act, any allegation that Franchisor or another Indemnified Party is a joint employer or otherwise responsible for the acts or omissions relating to Franchisee's employees, and other laws regarding public accommodations for persons with disabilities.

Franchisor will promptly notify Franchisee of any claim that may give rise to a claim of indemnity hereunder, provided that the failure to provide such notice shall not release Franchisee from its indemnification obligations under this § 17.4, except to the extent that Franchisee is actually and materially prejudiced by such failure. Franchisee shall have the right, upon written notice delivered to the Indemnified Party within fifteen (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 Parties and the payment of the fees and disbursements of such counsel.



## Franchise Agreement

If the Indemnified Parties are 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 Franchisee, and in the reasonable opinion of the Indemnified Party, counsel for Franchisee could not adequately represent the interests of the Indemnified Parties because such interests could be in conflict with Franchisee's interests, or if Franchisee does not assume responsibility for such Losses in a timely manner or fails to defend a claim with counsel reasonably satisfactory to the Indemnified Parties as contemplated above, then the Indemnified Parties shall have the right to employ counsel of its choosing, and Franchisee shall pay the reasonable fees and disbursements of such Indemnified Parties' counsel as incurred; provided that in any case, Franchisee 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 Parties or Franchisee, whichever is not assuming the defense of such claim, shall have the right to participate in such claim and to retain its counsel at its own expense. Franchisee or the Indemnified Parties (as the case may be) shall keep the other party 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.

Franchisee is prohibited from settling or compromising any claim without obtaining the prior written consent of the Indemnified Parties. Such consent will only be given if the settlement or compromise includes a written release from liability of the Indemnified Parties and its affiliates, owners, directors, officers, managers, employees, agents, attorneys, and representatives. Additionally, Franchisee shall not settle or compromise any claim in a way that adversely affects the Indemnified Parties other than as a result of money damages or other monetary payments that will be paid by Franchisee. The Indemnified Parties cannot settle any claim being defended in good faith by Franchisee under this Section without obtaining Franchisee's prior written consent. In cases involving the Marks in which Franchisee failed to comply with § 9.3.9 of this Agreement, the Indemnified Parties have the exclusive right to assume the defense of such claim at Franchisee's expense with counsel chosen by the Indemnified Parties but deemed reasonably satisfactory to Franchisee.



# Franchise Agreement

Franchisee is not obligated to indemnify or hold harmless any Indemnified Party for any Losses if they are determined by a court or arbitrator with competent jurisdiction to have been solely and directly caused by the Indemnified Parties' own negligence, willful misconduct, or willful wrongful omissions.

The term "Losses" in this Section includes all obligations, liabilities, damages, and reasonable defense costs incurred by any Indemnified Parties, such as accountants', arbitrators', attorneys', and expert witness' fees, investigation and proof costs, court costs, travel and living expenses, and other expenses of litigation, arbitration, or alternative dispute resolution. These obligations of Franchisee will remain in effect even after the expiration or termination of this Agreement.

## **17.5 Franchisee Advisory Council**

Franchisor reserves the right to establish a franchisee advisory council, as a formal method for franchisees in the System to share ideas. If such a council is created, Franchisor may invite Franchisee to partake in council activities and meetings. The invitation may depend on Franchisee's level of success, superior performance, and profitability. If Franchisee accepts the invitation, Franchisee is required to attend advisory council programs, and all expenses associated with attendance will be Franchisee's responsibility. Franchisor reserves the right to charge a reasonable administrative fee for advisory council programming. Franchisee must pay the fee after receiving written notification from Franchisor. Franchisee can withdraw from Franchisee advisory council at any time, and that withdrawal is effective upon payment of reasonable administrative fees incurred on Franchisee's behalf while Franchisee was a member of the council.

## **Article XVIII: Dispute Resolution**

### **18. Dispute Resolution**

#### **18.1 Internal Dispute Resolution**

Before bringing any claim or dispute arising from this Agreement or the relationship established by it to a third party, Franchisee must first present the



# Franchise Agreement

issue to Franchisor's president and/or chief executive officer for resolution, after following the notice requirements specified in § 19.8. Franchisee must complete this internal dispute resolution procedure before pursuing the matter with a third party. This requirement to attempt resolution of disputes internally will continue to apply even after the termination or expiration of this Agreement.

## **18.2 Mediation**

If Franchisor and Franchisee are unable to resolve any disputes in accordance with § 18.1, Franchisor may, at its option, choose to submit the matter to non-binding mediation. Franchisee must provide written notice to Franchisor of its intent to pursue any unresolved claims, disputes, or controversies before initiating legal action, including sufficient details of the nature of the issue. Upon receipt of such notice, Franchisor has thirty (30) days to elect to submit the matter to mediation. Mediation will occur at Franchisor's corporate headquarters and will follow the American Arbitration Association Commercial Mediation Rules. Both parties will bear their own costs and expenses of mediation, and Franchisor and Franchisee will share mediator fees equally. Franchisor may enforce its rights to mediation as outlined in this Agreement. Legal fees incurred by either party will not be covered in mediation.

## **18.3 Arbitration**

18.3.1 Any dispute arising between Franchisor and Franchisee, or any Owner thereof, regarding this Agreement or any of its parts, which has not been resolved in accordance with §§ 18.1 or 18.2, shall be subject to resolution through arbitration, except for disputes that are not subject to alternative dispute resolution as specified in § 18.4. The arbitration shall be conducted by a single arbitrator in accordance with the Commercial Arbitration Rules of the American Arbitration Association or its successor organization.

18.3.2 Any matters concerning the validity or enforcement of the arbitration agreement in this § 18.3 will be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.) and federal common law on arbitration.

18.3.3 This provision for arbitration will continue to be effective after the expiration or termination of this Agreement. Any arbitration will only involve



# Franchise Agreement

individual claims, and not claims brought by multiple plaintiffs or as part of a class action. If a party fails to appear at a properly noticed arbitration proceeding, an award may be entered against them by default. Any arbitration award may be entered as a judgment in any court with jurisdiction, and will be final and binding without the opportunity for appeal.

18.3.4 If any provision of § 18.3 is deemed unlawful by a court of competent jurisdiction, that provision shall be modified or interpreted to the minimum extent necessary to comply with the law. This provision is separate from any other covenant or provision in the Agreement.

18.3.5 During arbitration and decision-making, the arbitrator is not allowed to alter, adjust, or suspend any provisions of this Agreement or the rational standards of business performance and operation established by Franchisor in good faith. Furthermore, no notice, request, or demand for arbitration can delay, postpone or cancel any termination of this Agreement.

18.3.6 Except as expressly required by law, Franchisor, Franchisee and any Owner shall keep all aspects of any mediation and/or arbitration proceeding in confidence and shall not disclose any information about the proceeding to any third party other than legal counsel who shall be required to maintain the confidentiality of such information.

## 18.4 Exceptions

Notwithstanding the requirements of §§ 18.2 and 18.3, the following claims and disputes shall not be subject to mediation or arbitration:

18.4.1 Franchisor's claim for injunctive or other extraordinary relief;

18.4.2 Disputes and controversies arising from the Sherman Act, the Clayton Act or any other federal or state antitrust law;

18.4.3 Disputes and controversies based upon or arising under the Lanham Act, as now or hereafter amended, relating to the ownership or validity of the Marks;

18.4.4 Enforcement of Franchisee's post-termination obligations, including but not limited to, Franchisee's non-competition covenants.



# Franchise Agreement

18.4.5 Collection of amounts due under this Agreement not exceeding \$3,500.

## **18.5 Venue**

The parties agree that any actions arising out of or related to this Agreement must be initiated and brought to conclusion exclusively in Maricopa County, Arizona. Franchise acknowledges that this Agreement has been entered into in the State of Arizona, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Arizona, including but not limited to training, assistance, support, and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state of Arizona as set forth in this Section.

## **18.6 Franchisee's Waiver of Important Rights**

**Franchisee gives up its right to a trial by jury in any legal action, proceeding, or counterclaim, whether in a court of law or equity, related to this Article 18 or otherwise, regardless of any state or federal constitutional or statutory rights or provisions Franchisee might otherwise have.**

## **Article XIX: Construction and Enforcement**

### **19. General Agreement Provisions**

#### **19.1 Governing Law**

The Federal Arbitration Act (9 U.S.C. §§ 1 et seq.) will govern all matters relating to arbitration. Except for those matters 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, the laws of the State of Arizona will govern this Agreement, the Franchise, and all claims arising from the relationship between the Franchisor and Franchisee, without regard to its conflict of laws rules. However, any Arizona law regulating the sale of franchises or governing the relationship of a franchisor



# Franchise Agreement

and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this § 19.1.

## **19.2 Consent to Jurisdiction**

Unless otherwise specified, all legal proceedings related to any Dispute must be held in the county where Franchisor's main office is located at the time the Dispute occurs (currently, Maricopa County, Arizona), and Franchisee and its Owners agree to submit to the jurisdiction of state and federal courts in that county. However, Franchisor may enforce this Agreement and any arbitration orders and awards in the courts of the state(s) where Franchisee is located or domiciled. If the state in which Franchisee is located prohibits Franchisor from restricting jurisdiction or venue exclusively to a forum outside of that state with respect to any claim arising under the state's franchise laws, either party may bring the claim in the county where Franchisor's main office is located or the state where Franchisee is located. The arbitrator cannot select a different location for the arbitration hearing than as set forth in this section.

## **19.3 Severability**

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

## **19.4 Waiver of Obligations**

Either party may unilaterally waive or reduce any obligation or restriction in this Agreement with a written instrument. Any waiver granted by one party will not prejudice any other rights it may have and may be revoked upon written notice to the other party. Failure to exercise a right or insist upon exact compliance with this



# Franchise Agreement

Agreement, including any mandatory System Standard or operating procedure, does not constitute a waiver or impairment of any reserved right, power, or option. This includes the right to demand exact compliance with every term, condition, and covenant in this Agreement, to declare any breach of this Agreement to be a default, and to terminate the Franchise before the expiration of its term. No waiver, forbearance, delay, failure, or omission by either party to exercise any right, power, or option, relating to other System franchisees, or the acceptance of any payments due after a breach of this Agreement, will be deemed a waiver or impairment of any rights reserved by this Agreement.

## **19.5 Attorney's Fees and Costs to Prevailing Party**

In any dispute arising from or related to this Agreement, including, without limitation, any action to enforce its terms, the prevailing party shall be entitled to an award of its reasonable attorney's fees and costs incurred in connection with the dispute. This award shall include, but is not limited to, reasonable accounting, arbitrators', and related fees. The prevailing party is the party that obtains a favorable judgment, a dismissal of the case, or a settlement that is substantially in its favor. If a case has multiple claims, and each party prevails on some of those claims, that each party is entitled to attorney's fees and costs associated with the claims that party prevailed on.

## **19.6 No Right to Withhold Payments**

Franchisee agrees not to withhold payment of any amounts owed to Franchisor based on Franchisor's alleged nonperformance of any obligations under this Agreement. In case of a dispute regarding the amount owed to Franchisor, Franchisee must first pay the disputed amount in full and provide a written explanation to Franchisor regarding the nature and reason for the dispute.

## **19.7 Parties' Rights Are Cumulative**

The rights and remedies of both parties under this Agreement are cumulative, meaning that the exercise or enforcement of any particular right or remedy by either party does not prevent the exercise or enforcement of any other right or remedy available to that party under this Agreement or under the law.





# Franchise Agreement

## **19.8 Notice Requirements**

If this Agreement requires or allows one party to give notice to the other party, such notice must be in writing, delivered either by personal delivery or by certified mail, courier with prepaid postage and addressed, or email, to the address of the intended party recipient. The notice will be considered delivered on the date of delivery, or if delivery is refused, on the date of refusal. All notices must be addressed to the party at the address or email address listed in the introductory paragraph of this Agreement, or to any other address or email address that the parties may subsequently designate in writing.

## **19.9 Consent to Do Business Electronically**

The parties agree to conduct business electronically and acknowledge that by attaching their digital signature, including any DocuSign signature, to the Franchise Agreement, they are executing the document and affirming their agreement to the terms of the Agreement. The parties also acknowledge that their digital signature, including a DocuSign signature, is valid and can be relied upon as their signature. This agreement is made in accordance with the Uniform Electronic Transactions Act of the State of Arizona.

## **19.10 Counterparts**

This Agreement can be signed in several copies, and each of them will be considered an original document. All copies taken together will constitute a single agreement.

## **19.11 Survival**

Any obligation that Franchisee or any Owner must perform after the termination or expiration of this Agreement or the transfer of any interest of Franchisee or any Owner will continue to apply. This means that those obligations will survive termination, expiration, or transfer of the agreement.

## **19.12 Binding Effect**

This Agreement is binding on both Franchisor and Franchisee, as well as their executors, administrators, heirs, beneficiaries, permitted assigns, and successors



# Franchise Agreement

in interest. The Operations Manual may be unilaterally modified by Franchisor and the mandatory System Standards may be modified by Franchisor. However, any other modification to this Agreement must be in writing and signed by both Franchisor and Franchisee.

## **19.13 Entire Agreement, Revocation of Prior Agreements, and Construction**

This Agreement constitutes the entire agreement between the parties and may not, except as permitted herein, be changed except by a written document signed by both parties. Informal electronic communication, including email, will not modify this Agreement unless both parties have signed and specifically stated their intent to modify the Agreement. The preambles and exhibits, along with the Operations Manual, Lease, and any riders or addenda signed concurrently, form the complete Agreement between the parties, superseding any prior written or oral agreements.

This Agreement hereby revokes, replaces, and nullifies all prior agreements, commitments, or understandings, whether oral or written, between the Franchisor and Franchisee concerning the franchise. No representation, understanding, promise, or condition concerning the subject matter of this Agreement shall be binding upon either party unless expressed herein. Both parties acknowledge that they have not relied on any representation, assurance, or warranty not specifically set forth in this Agreement.

By executing this Agreement, Franchisee acknowledges its understanding that this Agreement extinguishes all previous agreements and understands that it is entering into this Agreement freely and without reliance on any statement or representation not contained in this document.

The Agreement is not intended to confer any rights or remedies upon any person or entity not party to this Agreement, unless specifically provided in §§ 17.4 and 18.3. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in the Franchise Disclosure Document. The Franchisor retains the absolute right to refuse any request made by the Franchisee, or withhold approval of any proposed, initiated, or completed action that requires Franchisor approval, unless expressly obligated by the Agreement to approve or not unreasonably withhold approval.



# Franchise Agreement

The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to “Franchisor” with respect to all of its rights and all of the Franchisee's obligations to the Franchisor under this Agreement include any of its affiliates with whom the Franchisee deals in connection with its Franchised Business. The term “Affiliate” means any person or entity directly or indirectly owned or controlled by, under common control with, or owning or controlling the Franchisor. “Control” means the power to direct or cause the direction of management and policies.

If two or more persons are at any time the Owners of the Franchise and the Franchisee's Franchised Business, whether as members, shareholders, partners or joint venturers, all of those persons must sign this Agreement.

“Person” means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

## 19.14 Force Majeure

19.14.1 Except as provided in § 19.14.2, neither the Franchisor nor the Franchisee shall be considered in breach of this Agreement or responsible for damages resulting from delay or failure to fully or partially perform its obligations under this Agreement, provided that due diligence is exercised in attempting to perform under the circumstances and that the delay or failure is caused by an event of *force majeure*, including but not limited to: fire, earthquake, severe weather, strikes, government-sanctioned embargo, flood, act of God, war, terrorism, act (or delay in acting) of any public authority or sovereign government (including government delays in issuing required permits), civil disorder, delay or destruction caused by public carrier, curtailment of transportation facilities, or any other similar circumstance substantially beyond the control of the party to be charged and which cannot be reasonably forecast or prevented. If the *force majeure* event continues for six (6) months, either party may cancel this Agreement with ten (10) days written notice to the other.



# Franchise Agreement

19.14.2 Both the Franchisor and the Franchisee agree to promptly notify the other upon discovering an event of *force majeure* as described above, which may cause a delay or failure in performance under this Agreement.

## 19.15 Limited Liability for Related Parties

The Parties agree that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of the other Party will have any liability for (i) any of the Party's obligations or liabilities relating to or arising from this Agreement; (ii) any claim against the respective Party based on, in respect of, or by reason of, the relationship between Franchisee and Franchisor, or (iii) any claim against the respective Party based on any alleged unlawful act or omission of that Party.

## 19.16 Delivery of Notices and Payments

All written notices, reports, and payments required or permitted by this Agreement or the Operations Manual shall be considered delivered:

when sent via computer transmission if the sender has confirmation of successful transmission and, for Royalty payments, Brand Fund contributions, and other amounts due, at the time Franchisor debits Franchisee's account (if an automatic debit program is implemented for the Business);

19.16.1 one (1) business day after transmission by telecopy, facsimile, or other electronic system if the sender has confirmation of successful transmission;

19.16.2 one (1) business day after being given to a commercial courier service for delivery on the next business day; or

19.16.3 three (3) business days after being sent by Registered or Certified Mail, Return Receipt Requested, with postage prepaid, by the United States Mail.

The notice, report, or payment must be addressed to the party to be notified at its most current principal business address of which the notifying party is aware. If



# Franchise Agreement

Franchisee's check for payment of Royalties, Brand Fund contributions, or other amounts due is dishonored by its bank, such payment shall not be considered made until the replacement check is cleared by the bank. Any required payment or report which Franchisor does not actually receive during regular business hours on the date due (or postmarked by postal authorities at least three (3) days before then) will be considered delinquent.

## **19.17 Franchisee Acknowledgments**

To obtain the Franchise and sign this Agreement, Franchisee acknowledges and agrees to the following:

19.17.1 Franchisee has conducted an independent investigation of the Franchised Business opportunity and understands that, like any other business, the nature of a Franchised Business may change over time.

19.17.2 Investment in a Franchised Business involves business risks.

19.17.3 Franchisee's business abilities and efforts are crucial to its success.

19.17.4 Maintaining high customer service and strict adherence to the Franchise System and mandatory System Standards is crucial for retaining customers and Franchisee is committed to maintaining such standards.

19.17.5 Except as provided in the Franchise Disclosure Document, Franchisee has not relied upon any representations or warranties, express or implied, as to the revenues, profits, or success of its Business or any other System franchise.

19.17.6 Any information obtained from other System franchisees regarding their sales, profits or cash flows is not from Franchisor, and Franchisor makes no representation about the accuracy of such information.

19.17.7 Franchisee has no knowledge of any representations made by Franchisor, its subsidiaries, or affiliates, or any of their respective officers, directors, shareholders, or agents that are contrary to the statements made in the Franchise Disclosure Document or the terms and conditions of this Agreement.



## Franchise Agreement

19.17.8 In all dealings with Franchisee, Franchisor's officers, directors, employees, and agents act only in a representative capacity, and any business dealings between Franchisee and them as a result of this Agreement are between Franchisee and Franchisor only.

19.17.9 Franchisee has represented that all statements made and materials given to Franchisee in acquiring the Franchised Business are accurate and complete, and that there are no misrepresentations or material omissions in obtaining the Franchise.

19.17.10 Franchisee has read and understands this Agreement and the Franchise Disclosure Document and accepts that the terms and covenants of this Agreement are necessary to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each System franchised business and to protect and preserve the goodwill of the Marks.

19.17.11 Franchisee understands that Franchisor's approval of the location for the Franchised Business does not guarantee its success or profitability.

19.17.12 Franchisee confirms that it received the Franchise Disclosure Document and a complete copy of the Franchise Agreement and related documents at least fourteen (14) days before signing the Franchise Agreement. Franchisee acknowledges reading and understanding the contents of the Franchise Disclosure Document.

19.17.13 Franchisee acknowledges that it had the opportunity to consult with its own advisors, including attorneys and accountants, and that Franchisor's attorneys did not provide any advice or representation regarding the Franchise Agreement or the relationship between Franchisee and Franchisor.

19.17.14 Franchisee, along with its advisors, has sufficient financial and business knowledge and experience to make informed investment decisions related to the Franchise.



## Franchise Agreement

19.17.15 Franchisee is aware that other franchisees of Franchisor may operate under different agreements, which may result in differences in Franchisor's obligations and rights.

19.17.16 The parties recognize that Franchisor may manufacture or distribute products under the licensed Marks and that Franchisor does not guarantee that such products will not be sold within Franchisee's Territory by other purchasers from Franchisor.

19.17.17 **By executing the Franchise Agreement, Franchisee and any principal release and discharge Hello Sugar Franchise, LLC and its parent companies, subsidiaries, affiliates, successors, assigns, directors, officers, employees, agents, shareholders, successors, designees and representatives from any and all claims, demands, and judgments relating to or arising under the statements, conduct, claims, or any other agreement between the parties executed prior to the date of the Franchise Agreement, including claims under the franchise, securities, tax or antitrust laws of the United States or any state or territory thereof. However, this release shall not apply to any claims arising from representations made by Franchisor in the Franchise Disclosure Document received by Franchisee.**

19.17.18 **DISCLAIMER OF LIABILITY:** To the fullest extent the law permits, the Franchisor disclaims all liability, including any express or implied warranties, whether oral or written, for all services provided by third-party service providers. The Franchisor assumes no liability for any errors or omissions on the part of any service providers, including, but not limited to, reception service providers, merchants, marketing and advertising service providers, off-site management service providers, reputation management providers, and scheduling service providers. The Franchisee's sole recourse for losses incurred as a result of using the services of third-party service providers shall be against the applicable service providers.



# Franchise Agreement

Franchisor:

Franchisee:

**Hello Sugar Franchise, LLC**

\_\_\_\_\_

By: Brigham Dallas

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

Its: CEO

Its: \_\_\_\_\_





## Exhibits

### **Exhibit 1: Territory Rights and Franchisee Information**

#### **Non-Exclusive Site Selection Area:**

Pursuant to § 1.2 of the Franchise Agreement, Franchisee must locate and secure an Approved Location for the Franchised Business within the following Site Selection Area (which may be attached as a map):

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#### **Approved Location:**

Pursuant to § 1.2 of the Franchise Agreement, the Franchised Business shall be located at the following Approved Location:

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#### **Territory**

Pursuant to § 2.1 of the Franchise Agreement, Franchisee's Territory will be defined as follows (which may be attached as a map):

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If Franchisee is a corporation, limited liability company, or other business entity, Franchisee agrees and acknowledges that the following is a complete list of all the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

[illegible]



## Exhibits

### Exhibit 2: Collateral Assignment of Lease

For valuable consideration received, \_\_\_\_\_ (“Assignor”) assigns and transfers all its right, title, and interest as a tenant under a lease agreement (the “Lease”) for premises known as \_\_\_\_\_ to Hello Sugar Franchise, LLC, an Arizona limited liability company, 151 North Centennial Way Mesa, Arizona 85201 (the “Assignee”).

This assignment is for collateral purposes only, and Assignee has no liability or obligation unless it takes possession of the premises and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants that it has the power to assign the Lease and has not previously assigned or transferred any interest in the Lease or premises.

If Assignor defaults under the Lease, the Franchise Agreement between Assignor and Assignee, or any document securing the Franchise Agreement, allows Assignee the right to take possession of the premises and expel Assignor. Assignor agrees not to modify the Lease without Assignee’s written consent.

Assignor will exercise all options to extend or renew the Lease unless Assignee agrees otherwise in writing. If Assignor fails to do so, Assignee becomes Assignor’s attorney-in-fact to extend or renew the Lease.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Assignor

\_\_\_\_\_  
Print Name, Title



## Exhibits

### **Consent and Agreement of Landlord to Assignment of Lease to Hello Sugar Franchise, LLC**

The Landlord under the Lease for the property known as \_\_\_\_\_ hereby consents to a Conditional Assignment of Lease from \_\_\_\_\_ ("Assignor") to Hello Sugar Franchise, LLC (Assignee) on the terms and conditions set forth in this document.

The Landlord further:

- a) agrees to notify Assignee in writing of any default by Assignor under the Lease;
- b) agrees to permit Assignee to cure any such default within 30 days after written notice;
- c) consents to the assignment and agrees that if Assignee takes possession of the Premises and confirms assumption of the Lease, the Landlord will recognize Assignee as the tenant under the Lease;
- d) agrees that Assignee may further assign the Lease to a third party, provided that the third party agrees to assume the tenant's obligations under the Lease and is acceptable to the Landlord; and
- e) permits Assignee to enter upon the Premises without being guilty of any crime or tort to de-identify the Premises as a System outlet if the Tenant fails to do so following termination of the Franchise Agreement or Lease, provided that Assignee repairs any damage caused.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Landlord

\_\_\_\_\_  
Print Name, Title



## Exhibits

### Exhibit 3: Current Insurance Coverage Requirements

#### Required Coverages

Franchisee must maintain the following insurance coverage, and all coverage must be provided by an A-VII or higher AM Best-rated admitted carrier:

**General Liability:** General Liability Insurance with minimums of \$1,000,000 per occurrence, \$2,000,000 general and products/completed operations aggregate, \$1,000,000 personal/advertising injury, \$50,000 rented premises damage, and \$5,000 medical expenses. The policy must include additional insured, waiver of subrogation, primary and noncontributory provisions, contractual and independent contractors' liability, no exclusion for assault & battery and be occurrence-based. Stop-gap coverage is required for applicable monopolistic states.

**Professional Liability:** Professional Liability Insurance with minimum coverage limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. If you elect to offer laser services, then you must obtain \$3,000,000 in the aggregate.

**Medical Expenses** (only required for Franchisees offering laser hair removal): \$5,000 per incident.

**License Action** (only required for Franchisees offering laser hair removal): \$15,000.

**Workers Compensation:** All forms, types, and amounts of Workers' Compensation Coverage required by federal or state law. Workers' Compensation Insurance with coverage limits of \$1,000,000 for bodily injury by disease per accident, \$1,000,000 policy limit, and \$1,000,000 per employee. The policy must be in place regardless of state laws and cannot exclude owner-operators. It must also include uninsured independent contractors and a waiver of subrogation.

**Property/Business Interruption:** Related to Flagship Studios only: Property insurance with coverage for business personal property ( $\geq$  \$20,000 full replacement cost value), tenant improvements ( $\geq$  \$125,000 full replacement cost value), business interruption (12 Months ALS), including franchisor royalties.



## Exhibits

When providing proof of insurance via a certificate of insurance include the following language:

*Description Of Operations: Certificate holder is named as additional insured with respect to general liability and commercial auto liability including a waiver of subrogation and primary, non-contributory insuring clauses. Workers' compensation includes a waiver of subrogation in favor of the certificate holder. Insurance coverage of such types, nature and scope sufficient to satisfy your indemnification obligations under this Agreement; and any other insurance coverages we may require in the future.*

**Employment Practices Liability:** Related to Flagship Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.

### Recommended Coverages

Franchisor recommends the following insurance coverages:

**Employment Practices Liability:** Related to Suite Studios only: Employment Practices Liability Insurance with minimum coverage limits of \$250,000 per occurrence and \$250,000 aggregate. The policy should include 3rd party liability and wage & hour coverage of at least \$25,000. The maximum deductible should be at most \$10,000.

**Franchisee Commercial Auto:** Commercial Auto Insurance with a \$1,000,000 combined single limit, covering hired, and non-owned autos. Policies must include additional insured, waiver of subrogation, and primary/non-contributory provisions

**Crime:** Crime insurance with minimum coverage limits of \$25,000 for each claim, including third-party coverage on a loss-discovered form.

**Cyber Liability:** Cyber Liability Insurance with minimum coverage limits of \$100,000 per occurrence and \$100,000 aggregate.



## Exhibits

**Sexual Abuse & Molestation:** Sexual Abuse and Molestation Insurance with minimum limits of \$100,000 per occurrence and \$300,000 aggregate.



## Exhibits

### **Exhibit 4: Automatic Debit (ACH) Authorization Agreement**

Franchisor Name: **Hello Sugar Franchise, LLC**

I (We) hereby authorize Hello Sugar Franchise, LLC, hereinafter called Franchisor, to initiate debit entries to my (our) Checking Account/Savings Account (Circle One) indicated below at the depository financial institution named below, and to debit the same to such account. I (We) acknowledge that the origination of ACH transactions to my (our) account must comply with the provisions of U.S. Law, and that I will be responsible for any banking fees that my institution charges. I (We) further hereby authorize Franchisor to initiate electronic purchases on my (our) behalf for agreed upon inventory supply purposes using the credit card information provided below.

Financial Institution Name: \_\_\_\_\_ Branch: \_\_\_\_\_  
City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_ Phone: \_\_\_\_\_  
ACH/Routing Number: \_\_\_\_\_ Account Number: \_\_\_\_\_  
Credit Card Issuer: \_\_\_\_\_ Credit Card Number: \_\_\_\_\_  
Expiration Date: \_\_\_\_\_ Security Code: \_\_\_\_\_ Cardholder: \_\_\_\_\_

Billing Address: \_\_\_\_\_

This authorization is to remain in full force and effect until Franchisor has received a written replacement Authorization Withdrawal Form notification from me. I (We) understand that revocation of this Authorization Agreement by me (us) may constitute an event of Default under the Franchise Agreement.

*[Signature on Following Page]*





## Exhibits

I (We) understand that the amount to be withdrawn by Franchisor will not be the same each month and I (We) therefore authorize all monetary transfers pursuant to the Franchise Agreement.

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Franchisee/Account Holder Name

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Franchisee/Co    Account    Holder  
Name

---

Daytime Phone Number

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Email Address

**PLEASE ATTACH A VOIDED CHECK TO THIS FORM**

**Please Return Form to:  
Hello Sugar Franchise, LLC  
151 N. Centennial Way  
Mesa, Arizona 85201**



## Exhibits

### Exhibit 5: Personal Guaranty

#### PERSONAL GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

#### ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to Hello Sugar Franchise, LLC, an Arizona limited liability company (the "Franchisor") that \_\_\_\_\_ you \_\_\_\_\_ are \_\_\_\_\_ all \_\_\_\_\_ the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named \_\_\_\_\_ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the franchise agreement entered into between Franchisee and Franchisor (the "Franchise Agreement"), as well as any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the



## Exhibits

written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

### **ARTICLE II CONFIDENTIALITY**

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation: (i) site-selection criteria for a franchise business operated utilizing Franchisor's proprietary marks (the "Proprietary Marks") and System (as defined below) (each, a "Business"); (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a Franchised Business; (iii) marketing research and promotional, marketing and advertising programs for the Franchised Business; (iv) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business; (v) knowledge of the operating results and financial performance of other Businesses; (vi) customer communication and retention programs, along with data used or generated in connection with those programs; (vii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; (viii) information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"); (ix) information generated by, or used or developed in, the Business's operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business's computer system; (x) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business; (xi) Franchisor's proprietary Operations Manual and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System; and (xii) any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, "Confidential



## Exhibits

Information"). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor's copyrighted materials; price marketing mixes related to the offer and sale of products and services; standards and specifications for providing the approved products and services, and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section: (i) former, current, and prospective customer information, including customer names and addresses, contracts/agreements (collectively "Customer Lists"), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

### **ARTICLE III NON-COMPETITION**

You acknowledge that as a participant in Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures, and techniques which Franchisor has developed. Therefore, to protect Franchisor and all of Franchisor's franchisees, you agree as follows:

**1. During the Term of the Franchise Agreement and this Guaranty.** During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly, or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

1.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with: (i) any other business that generates more than 5% of its annual revenue from offering or selling products and services that are the same or substantially similar to those offered by Franchisor's franchisees (for



## Exhibits

example, waxing, sugaring, and other related products and services) (each, a “Competing Business”); or (ii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business; provided, however, that this Section does not apply to your operation of a franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than five percent (5%) of the interests in a publicly traded company.

1.2. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

## 2. **After the Term of This Agreement.**

2.1. For a period of eighteen (18) months after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business. The scope of the non-compete described in this Section shall be the geographical area where Franchisor can demonstrate that it has offered and sold franchises as of the date the Franchise Agreement is terminated or expires (or, if applicable, as of the date Franchisee assigns/transfers the Franchise Agreement).

2.2. For a period of eighteen (18) months after the expiration, transfer, or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly, or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership, or corporation:

2.2.1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lease space to, lend money or extend credit to, or have any other interest in or involvement with, any Competing Business that is located within a twenty-five (25) mile radius of: (i) the perimeter of the Territory granted under the Franchise Agreement; (ii) any other Hello Sugar business that exists as of the date the Franchise Agreement is terminated or expires (or, if applicable, as



## Exhibits

of the date Franchisee assigns/transfers the Franchise Agreement); or (iii) any other development area territory granted by Franchisor to open businesses under the Marks as of the date this Agreement expires or is terminated;

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose.

3. **Intent and Enforcement.** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

### ARTICLE IV DISPUTE RESOLUTION

1. **Acknowledgment.** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Arizona.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third

party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

**4. Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, in Franchisor's principal offices in Maricopa County, Arizona, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

**4.1. *Excepted Claims.*** The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud



## Exhibits

or misrepresentation by you, or your insolvency (collectively, the “Excepted Claims”).

5. **Jurisdiction and Venue.** Subject to the other dispute resolution provisions in this Personal Guaranty, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located in the county where Franchisor is headquartered (currently, Maricopa County, Arizona), or, if appropriate, the United States District Court for the District of Arizona. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor’s officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor’s interest prior to the filing of any mediation or arbitration or other proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court’s dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE’S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR**





## Exhibits

**RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

**9. Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

**10. Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

**11. Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

**12. Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any



## Exhibits

subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

**13. No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

**14. Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

**15. Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must



## Exhibits

be joint and several. Headings are for reference purposes and do not control interpretation.

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

**IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on \_\_\_\_\_.**

### PERSONAL GUARANTORS

\_\_\_\_\_  
\_\_\_\_\_  
Name of Guarantor

\_\_\_\_\_  
\_\_\_\_\_  
Name of Spouse

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## Exhibits

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Name of Spouse



## Exhibits

### **Exhibit 6: Form of Confidentiality and Non-Competition Agreement**

**CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT**  
*(for trained employees, officers, directors, general partners, members,  
Managers, Operating Principal, and any other management personnel of  
Franchisee)*

In consideration of my being a \_\_\_\_\_ (title) of \_\_\_\_\_  
(the "Franchisee"), and other good and valuable consideration, the receipt and  
sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and  
agree that Franchisee has acquired the right from Hello Sugar Franchise, LLC (the  
"Company") to: (i) establish and operate a franchised business (the "Franchised  
Business"); and (ii) use in the operation of the Franchised Business the Company's  
trade names, trademarks and service marks (collectively, the "Proprietary Marks")  
and the Company's unique and distinctive format and system relating to the  
establishment and operation of franchised businesses (the "System"), as they may  
be changed, improved and further developed from time to time in the Company's  
sole discretion, only at the following authorized and approved location:  
\_\_\_\_\_ (the "Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company's proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the "Manual"); Franchisor's proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other franchised businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods, and know-how related to the operation of a franchised business or otherwise used in



## Exhibits

connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the "Confidential Information").

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in: (i) any other business that offers or sells products or services that are the same or substantially similar to the Franchised Business (for example, waxing and sugaring services and related goods) (each, a "Competing Business"); or (ii) grants or has



## Exhibits

granted franchises or licenses, or establishes or has established joint ventures, for any Competing Business. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

6.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of eighteen (18) months after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a twenty-five (25) mile radius of the Premises; or (ii) within a twenty-five (25) mile radius of any other Hello Sugar that exists at the time my employment with Franchisee ceases. During the eighteen (18) month period described in this Section, I also agree that I will not: (a) be involved in the franchising or licensing of any Competing Business at any location within the United States where the Company can demonstrate it has offered or sold franchises as of the date my employment ceases with Franchisee; (b) undertake any action to divert business from the Franchised Business to any Competing Business; or (c) solicit any of the former customers or employees of Franchisee for any competitive business purpose.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by



## Exhibits

me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with Franchisee. I am aware that my violation of this Agreement will cause the Company and the franchise irreparable harm; therefore, I acknowledge and agree that Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to Franchisee and the Company, any claim I have against Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of [INSERT STATE]. The only way this Agreement can be changed is in writing signed by both Franchisee and me.

**IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.**

### UNDERSIGNED

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

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





## Exhibits

### ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

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

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



## Exhibits

### **Exhibit 7: Conditional Assignment of Telephone Numbers, Social Media Pages, and Domain Names**

1. \_\_\_\_\_, doing business as Hello Sugar (the "Assignor"), in exchange for valuable consideration provided by Hello Sugar Franchise, LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its franchised business located at \_\_\_\_\_ (collectively, the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): \_\_\_\_\_

Social Media Page(s): \_\_\_\_\_

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): \_\_\_\_\_

2. The conditional agreement will become effective automatically upon termination or expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and



## Exhibits

agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

**ASSIGNOR:**

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

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

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

**ASSIGNEE**

**HELLO SUGAR FRANCHISE, LLC**

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

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



## Exhibits

### Exhibit 8: Franchisee Questionnaire

**FRANCHISEES IN CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON, AND WISCONSIN SHOULD NOT COMPLETE THIS QUESTIONNAIRE.**

**WASHINGTON FRANCHISEES SHOULD NEITHER COMPLETE NOR SIGN THIS QUESTIONNAIRE.**

As you know, Hello Sugar Franchise, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement for the right to open and operate one (1) or more franchises (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You must sign and date this certification the same day you sign the Franchise Agreement, and pay us the appropriate franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes \_\_\_\_ No \_\_\_\_ 1. Have you received and personally reviewed the Franchise Agreement, as well as each exhibit or schedule attached to these agreements that you intend to enter into with us?
- Yes \_\_\_\_ No \_\_\_\_ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes \_\_\_\_ No \_\_\_\_ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes \_\_\_\_ No \_\_\_\_ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes \_\_\_\_ No \_\_\_\_ 5. Have you reviewed the Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?



## Exhibits

- Yes \_\_\_\_ No \_\_\_\_ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes \_\_\_\_ No \_\_\_\_ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes \_\_\_\_ No \_\_\_\_ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the Hello Sugar mark or any other mark at any location outside your Territory under the Franchise Agreement without regard to the proximity of these activities to the premises of your Franchised Business(es)?
- Yes \_\_\_\_ No \_\_\_\_ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our principal offices in Arizona?
- Yes \_\_\_\_ No \_\_\_\_ 10. Do you understand that the Franchise Agreement provides that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes \_\_\_\_ No \_\_\_\_ 11. Do you understand that the sole entity or person against whom you may bring a claim under the Franchise Agreement is us?
- Yes \_\_\_\_ No \_\_\_\_ 12. Do you understand that you cannot bring any claim against us for actions of any third-party service providers, including those we require you to use?
- Yes \_\_\_\_ No \_\_\_\_ 13. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any manager, must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?



## Exhibits

- Yes \_\_\_\_ No \_\_\_\_ 14. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes \_\_\_\_ No \_\_\_\_ 15. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?
- Yes \_\_\_\_ No \_\_\_\_ 16. Do you understand that we will send written notices, as required by your Franchise Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes \_\_\_\_ No \_\_\_\_ 17. Do you understand that we will not approve your purchase of a franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes \_\_\_\_ No \_\_\_\_ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes \_\_\_\_ No \_\_\_\_ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes \_\_\_\_ No \_\_\_\_ 20. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?



## Exhibits

Yes \_\_\_\_ No \_\_\_\_ 21. Is it true that no broker, employee, or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property, or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

**YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.**

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Signature of Franchise Applicant

\_\_\_\_\_  
Name (please print)

\_\_\_\_\_  
Name (please print)

Dated: \_\_\_\_\_, 20\_\_\_\_

Dated: \_\_\_\_\_, 20\_\_\_\_

**GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)**



## Exhibits

### Exhibit 9: Option Agreement

This Option Agreement (the "Agreement") is hereby made and entered into on \_\_\_\_\_ (the "Effective Date"), by and between: (i) Hello Sugar Franchise, LLC, a limited liability company with a business address at 151 N. Centennial Way, Mesa, Arizona 85201 ("Franchisor"); and (ii) \_\_\_\_\_, a \_\_\_\_\_, with a principal business address at \_\_\_\_\_ (the "Franchisee").

#### BACKGROUND

A. Franchisor has developed two methods within its system for operating a Franchised Business: suites and flagships. A suite is a room (or multiple rooms) rented in a larger building with multiple suites occupied by other businesses in the beauty industry (each, a "Suite"). A flagship is a multi-suite location occupied solely by the franchisee (each, a "Flagship").

B. Contemporaneous with the execution of this Agreement, Franchisor and Franchisee entered into a franchise agreement (the "Franchise Agreement") pursuant to which Franchisee obtained the right and undertook the obligation to develop a Flagship franchised business (the "Flagship Franchised Business") within a defined geographical area as set forth more fully in the Franchise Agreement.

C. Franchisor offers qualified franchisees the option to develop and operate a Suite Franchised Business during the period wherein the franchisee is developing its Flagship Franchised Business, upon the terms and conditions in this Agreement and the Franchise Agreement.

D. Franchisee wishes to exercise its option to develop and operate a Suite Franchised Business while developing the Flagship Franchised Business, under the terms and conditions of this Agreement.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:





## Exhibits

### **AGREEMENT**

#### **1. Background; Definitions.**

a. Franchisor and Franchisee agree and acknowledge that the Background portion of this Agreement, including all definitions, representations and provisions set forth therein, is hereby incorporated by reference as if fully set forth in this Section.

b. If a capitalized term is not specifically defined in this Agreement, that term will be given the same definition that the term is afforded in the Franchise Agreement.

#### **2. Grant of Option; Exercise of Option.**

a. Franchisor has granted Franchisee the option to develop and operate a Suite Franchised Business while Franchisee develops the Flagship Franchised Business (the "Option").

b. Upon execution of this Agreement, Franchisee is exercising its Option to develop and operate the Suite Franchised Business before it develops the Flagship Franchised Business. There will be no additional fee to exercise the Option except for any applicable fees that Franchisee is obligated to pay under a development agreement with Franchisor.

#### **3. Development of Suite Franchised Business.**

a. In accordance with §§ 1.4 and 6.1 of the Franchise Agreement, Franchisee agrees and acknowledges that Franchisee must submit a complete site report for a proposed site for the Suite Franchised Business that conforms to Franchisor's minimum site selection criteria within ninety (90) days of the Effective Date of the Franchise Agreement.

b. In accordance with § 6.6 of the Franchise Agreement, Franchisee agrees that it must develop the Suite Franchised Business within six (6) months of the Effective Date of the Franchise Agreement.



## Exhibits

c. If Franchisee fails to comply with the time periods set forth in Sections 3(a) and 3(b) of this Agreement, such failure shall constitute a default of the Franchise Agreement and Franchisee will have 30 days to cure its default upon written notice from Franchisor. If Franchisee fails to cure its default within this 30-day period, then Franchisor may terminate the Franchise Agreement.

#### **4. Development of Flagship Franchised Business.**

a. In accordance with Section 1.4 of the Franchise Agreement, Section 6.1 of the Franchise Agreement is hereby modified to state that Franchisee must submit a complete site report for a proposed site for the Flagship Franchised Business that conforms to Franchisor's minimum site selection criteria and execute a lease that is approved by Franchisor for the Flagship Franchised Business within eighteen (18) months of the Effective Date of the Franchise Agreement.

b. Section 6.6 of the Franchise Agreement is hereby modified to state that Franchisee must develop and commence operations of the Flagship Franchised Business within thirty (30) months of the Effective Date of the Franchise Agreement.

c. If Franchisee fails to comply with the time periods set forth in Sections 4(a) and 4(b) of this Agreement, such failure shall constitute a default of the Franchise Agreement and Franchisee will have 60 days to cure its default upon written notice from Franchisor. If Franchisee fails to cure its default within this 60-day period, then Franchisor (or its designee) will have the option to either (i) purchase the Suite Franchised Business from Franchisee at a cost of the lesser of (x) fair market value, or (y) six times the net profits generated over the prior six-month period, or (ii) terminate the Franchise Agreement.

d. If Franchisee purchases the right to develop multiple franchised businesses under a development agreement with Franchisor, then the timeline set forth in the development agreement shall supersede the timelines outlined in Sections 4(a) and 4(b) of this Agreement so long as the development agreement remains in full force and effect.



## Exhibits

5. **Relocation of Operations.** Once the Flagship Franchised Business is ready to open for business, Franchisee will relocate the operations of the Suite Franchised Business to the Flagship Franchised Business.

6. **Severability.** In case any covenant, condition, term or provision contained in this Agreement shall be held to be invalid, illegal, or unenforceable in any respect, in whole or in part, by judgment, order or decree of any court of other judicial tribunal of competent jurisdiction, the validity of the remaining covenants, conditions, terms, and provisions contained in this Agreement, and the validity of the remaining part of any term of provision held to be partially invalid, illegal or unenforceable, shall in no way be affected, prejudiced, or disturbed thereby.

7. **Applicable Law, Binding Effect, and Venue.** Franchisor and Franchisee agree and acknowledge that the governing law, dispute resolution and venue provisions of the Franchise Agreement shall also govern this Agreement.

8. **Binding on Successors and Assigns.** The obligations of Franchisee under this Agreement will be binding on Franchisee's successors and assigns (as permitted by Franchisor). Franchisee may not assign this Agreement or any of the rights granted hereunder without Franchisor's prior written consent.

9. **Construction of Language.** The language in this Agreement will be construed according to its fair meaning, and not strictly for or against either party. The parties have had a reasonable opportunity to review this Agreement. In the event of an ambiguity or if a question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by all of the parties, and no presumptions or burdens of proof shall arise in favor of any party by virtue of the authorship of any of the provisions of this Agreement. Headings are for reference purposes only and do not control interpretation.

10. **Entire Agreement.** The Franchise Agreement and this Agreement constitute the entire, full, and complete agreement between the parties concerning the franchise and supersedes any and all prior agreements. In the event of a conflict between the terms of this Agreement and the Franchise Agreement, the terms of this Agreement shall control. Except as amended by this Agreement, all the other terms and conditions of the Franchise Agreement are hereby ratified and confirmed.



## Exhibits

11. **Counterparts.** The original and one or more copies of this Agreement may be executed by one or more of the parties hereto. In such event, all of such executed copies shall have the same force and effect as the executed original and all such counterparts taken together shall have the effect of a fully executed original.

**I HAVE READ THE ABOVE AGREEMENT AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.**

**FRANCHISOR**  
**HELLO SUGAR FRANCHISE, LLC**

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

Name: \_\_\_\_\_

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

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

**FRANCHISEE**

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

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

**EXHIBIT C**

**AREA DEVELOPMENT AGREEMENT**

## AREA DEVELOPMENT AGREEMENT

This Area Development Agreement (“Agreement”) entered into on \_\_\_\_\_ (“Effective Date”), between: (i) Hello Sugar Franchise, LLC, an Arizona limited liability company with a business address at 151 N. Centennial Way, Mesa, Arizona 85201 (the “Franchisor”); and (ii) \_\_\_\_\_, a \_\_\_\_\_, with a principal business address at \_\_\_\_\_ (the “Developer”).

### BACKGROUND

A. Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a salon that feature services related to waxing, sugaring, and other related products and services under Franchisor’s then-current name and mark (each, a “Salon”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operation of a Salon; site selection guidance and criteria that Franchisor determines to reduce to writing; specifications for the design, layout and construction of the interior of the Salon; standards and specifications for the furniture, fixtures and equipment located within the Salon; established relationships with approved or designated suppliers for certain products and services; and standards and specifications for sales techniques, merchandising, marketing, advertising, inventory management systems, advertising, bookkeeping, sales and other aspects of operating a Salon. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion.

C. The System and Salons are currently identified by the mark HELLO SUGAR, and/or certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future (collectively, the “Proprietary Marks”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor grants qualified third parties the right to develop a certain number of Salons within a specific geographic area (the “Development Area”) in accordance with the terms of this Agreement to which Developer must strictly adhere, with each Salon within the Development Area being opened and operated utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor’s then-current form of franchise agreement (each, a “Franchise Agreement”).

E. Developer recognizes the benefits from receiving the right to operate a Salon utilizing the System and desires to: (i) become a multi-unit developer subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Salons within the Development Area as set forth in this Agreement (each, a “Franchised Business”), and Franchisor has approved such application in reliance on Developer’s representations made therein. Franchised Businesses will take the form of a suite or a flagship. A suite is a room (or multiple rooms) rented in a larger building with multiple suites occupied by other businesses in the beauty industry (each, a “Suite”). A flagship is a multi-suite location occupied solely by a Developer operating under our Proprietary Marks (each, a “Flagship”).

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Salons and the System as a whole.

**NOW, THEREFORE**, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

## **AGREEMENT**

1. **Development Area; Development Schedule and Obligations; Territorial Protection.** Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish \_\_\_\_\_ Franchised Businesses within the Development Area defined in the Data Sheet attached hereto as Exhibit A (the "Data Sheet"), provided Developer opens and commences operations of such Franchised Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule") and otherwise subject to the terms and conditions set forth herein. For so long as Developer complies with the Development Schedule and other terms set forth herein, Franchisor will not open or locate, or license any third party the right to open or locate, another Salon utilizing the Proprietary Marks and System within the Development Area.

2. **Development Fee.** Developer shall pay Franchisor a development fee equal to \$\_\_\_\_\_ (the "Development Fee") for the right to develop the Franchised Businesses within the Development Area under this Agreement. The Development Fee is (i) deemed fully earned once paid and (ii) not refundable under any circumstances.

3. **Initial Franchise Agreement; Additional Franchise Agreements.**

a. Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the initial Franchised Business that Developer is required to open within the Development Area. In the event Developer is a business entity of any kind, then Developer's principals/owners and their spouse must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4(b) of this Agreement.

b. Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each additional Franchised Business that Developer is required to open under this Agreement, including a Flagship that was not converted from a Suite; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

4. **Development Obligations; Site Selection.** Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Franchised Businesses during each of the development periods defined in the Development Schedule (each, a "Development Period"); and (ii) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Development Agreement (and any future development rights granted hereunder) if not timely cured as set

forth in Section 7(b) of this Agreement.

**5. Geographic Scope of Post-Term Non-Compete.** If this Agreement is terminated before it expires, the scope of the non-compete set forth in the Franchise Agreement signed at the same time of this Agreement will include the Development Area and a fifteen (15) mile radius around the Development Area.

**6. Term and Termination.**

a. This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Franchised Business that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in connection with a "Territory" associated with a Franchised Business that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

b. Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (ii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; (iii) if Developer fails to pay any portion of the Development Fee; (iv) if Developer fails to sign each Franchise Agreement in accordance with the Development Schedule; and (v) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

**7. Reservation of Rights.** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

**8. Sale or Assignment.**

a. Franchisor may assign this Agreement at any time. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion.

b. If Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

**9. Acknowledgment.** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.



10. **Notices.** All notices, requests, and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth in the preamble above (which may be changed by written notice).

11. **Choice of Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona, without reference to this state's conflict of laws principles.

12. **Internal Dispute Resolution.** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. **Mediation.** At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 13 above, must be submitted first to non-binding mediation, at Franchisor's place of business in Arizona, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor.

a. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 14 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential/proprietary information of Franchisor (as such information is defined more fully in the Franchise Agreements); (ii) any of the restrictive covenants contained in this Agreement or any other Franchise Agreements executed in connection with the Franchised Businesses opened within the Development Area; or (iii) any of Developer's payment obligations under this Agreement or any such Franchise Agreement.

b. This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation and that any mediation proceeding involving Franchisor and Developer or its principals that arises out of or relates to this Agreement in any manner must be mediated in a proceeding that does not involve any other third party, including any other franchisee or licensee of Franchisor's franchise system.

14. **Injunctive Relief.** Developer acknowledges and agrees that irreparable harm could be caused to

Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and Franchisor's confidential information; (ii) Developer's covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement or any Franchise Agreement with Franchisor; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

**15. Jurisdiction and Venue.** Except for those claims described in Section 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion in any state court of general jurisdiction in Maricopa County, Arizona and the jurisdiction and venue of the United States District Court presiding over Mesa, Arizona. Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 15 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

**16. Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to all claims asserted against such person(s) by Developer or its principals.

**17. Jury Trial Waiver.** The parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party sues. This waiver will apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this agreement, the performance of either party, and/or developer's purchase from franchisor of the development rights described herein.

**18. Waiver Of Class Actions.** The parties agree that all proceedings arising out of or related to this agreement, or the sale of the franchised business, will be conducted on an individual, not a class-wide basis, and that any proceeding between developer, developer's guarantors and franchisor or its affiliates/officers/employees may not be consolidated with any other proceeding between franchisor and any other third party.

**19. Waiver of Punitive Damages.** Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. **Attorneys' Fees.** If either party institutes any judicial or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

21. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage, or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. If the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. **Construction of Language.** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. **Successors.** References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 7 of this Agreement.

25. **Additional Documentation.** Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. **No Right to Offset.** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Development Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in

writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement, then the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**HELLO SUGAR FRANCHISE, LLC**

**DEVELOPER**

\_\_\_\_\_  
**Brigham Dallas, CEO**

\_\_\_\_\_  
**Name and Title:**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Date**

\_\_\_\_\_  
**Spouse Name:**

\_\_\_\_\_  
**Date**

## EXHIBIT A to DEVELOPMENT AGREEMENT

### DATA SHEET

1. **Development Area.** The Development Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas:

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2. **Development Schedule.** The Development Schedule referred to in Section 5 of the Development Agreement is as follows:

Type of Salon (Suite or Flagship)	Date Franchise Agreement Must be Signed	Expiration of Development Period (each, a "Development Period")	Development Fee Due upon execution of ADA	Cumulative # of Franchised Businesses that Must Be Open and Operating	Net Suites Open	Net Flagships Open
	Upon Execution of the Development Agreement		\$			

**Approved and Accepted by:**

**HELLO SUGAR FRANCHISE, LLC**

**DEVELOPER**

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**Brigham Dallas, CEO**

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**Name and Title:**

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**Date**

---

**Date**

---

**Spouse Name:**

---

**Date**

**EXHIBIT D**

**FINANCIAL STATEMENTS**

**HELLO SUGAR FRANCHISE, LLC**



**Hello Sugar Franchise, LLC**

**Audited Financial Statements**

**December 31, 2023 and 2022**



# Hello Sugar Franchise, LLC

## Table of Contents

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	<b>Page</b>
Independent Auditors' Report .....	2
Financial Statements	
Balance Sheets .....	4
Statements of Operations and Member's Equity .....	6
Statements of Cash Flows .....	7
Notes to Financial Statements .....	9
Supplementary Information	
General and Administrative Expenses (Schedule 1) .....	13



**Independent Auditors' Report**

**To the Members**  
**Hello Sugar Franchise, LLC**  
**Scottsdale, AZ**

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Hello Sugar Franchise, LLC (an Arizona limited liability company), which comprise the balance sheets as of December 31, 2023 and 2022, the related statements of operations and member'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 Hello Sugar Franchise, LLC 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 for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hello Sugar Franchise, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hello Sugar Franchise, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial 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 Hello Sugar Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hello Sugar Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of general and administrative expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Adams & Peterson, CPA LLC*

Clearfield, Utah  
March 1, 2024

# Hello Sugar Franchise, LLC

## Balance Sheets December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 72,985	\$ 34,469
Trade receivables	143,687	90,783
Loan to employee	2,271	-
Current portion of notes receivable	14,156	40,449
Prepaid expenses	117,257	16,588
Other current assets	<u>631</u>	<u>518</u>
<b>TOTAL CURRENT ASSETS</b>	350,987	182,807
<b>NONCURRENT ASSETS</b>		
Property and equipment, net	39,333	-
Right of use asset from operating leases	28,880	54,688
Notes receivable	<u>-</u>	<u>5,151</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>68,213</u>	<u>59,839</u>
<b>TOTAL ASSETS</b>	<u>\$ 419,200</u>	<u>\$ 242,646</u>

# Hello Sugar Franchise, LLC

## Balance Sheets, Continued December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 2,911	\$ 4,419
Accrued expenses	84,598	29,321
Deferred revenue	1,983	-
Operating lease liability	26,634	25,808
Related entity notes payable	<u>146,799</u>	<u>36,454</u>
<b>TOTAL CURRENT LIABILITIES</b>	262,925	96,002
<b>NONCURRENT LIABILITIES</b>		
Operating lease liability	<u>2,246</u>	<u>28,880</u>
<b>TOTAL NONCURRENT LIABILITIES</b>	2,246	28,880
<b>MEMBER'S EQUITY</b>	<u>154,029</u>	<u>117,764</u>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<u>\$ 419,200</u>	<u>\$ 242,646</u>

# Hello Sugar Franchise, LLC

## Statements of Operations and Member's Equity Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>REVENUES</b>		
Reception fees	\$ 949,640	\$ 464,094
Training fees	58,754	177,791
Royalties	478,758	173,487
Franchise fees	307,673	132,110
Software fees	55,642	13,456
Other fees	23,871	-
	<u>1,874,338</u>	<u>960,938</u>
<b>COST OF REVENUES</b>	<u>1,065,054</u>	<u>580,566</u>
<b>GROSS PROFIT</b>	809,284	380,372
<b>OPERATING EXPENSES</b>		
General and administrative (Schedule 1)	711,238	245,424
Depreciation	9,833	-
	<u>721,071</u>	<u>245,424</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>721,071</u>	<u>245,424</u>
<b>TOTAL OPERATING INCOME</b>	88,213	134,948
<b>OTHER INCOME</b>	<u>22,009</u>	<u>-</u>
<b>NET INCOME</b>	<u><u>\$ 110,222</u></u>	<u><u>\$ 134,948</u></u>
<b>MEMBER'S EQUITY</b>		
Balance - beginning of year	\$ 117,764	\$ (82,056)
Contributions from members	1,672	105,020
Distributions to members	<u>(75,629)</u>	<u>(40,148)</u>
	<u>\$ 154,029</u>	<u>\$ 117,764</u>

# Hello Sugar Franchise, LLC

## Statements of Cash Flows Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES</b>		
Net income	\$ 110,222	\$ 134,948
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	9,833	-
Changes in operating assets and liabilities:		
Trade receivables	(52,904)	(81,375)
Loan to employee	(2,271)	-
Prepaid expenses	(100,669)	(12,642)
Other current assets	(113)	(441)
Notes receivable	31,444	(4,168)
Accounts payable	(1,508)	1,675
Accrued expenses	55,277	17,996
Deferred revenue	1,983	-
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>	51,294	55,993
<b>CASH FLOWS USED FOR INVESTING ACTIVITIES</b>		
Cash paid for purchase of property and equipment	(49,166)	-
<b>CASH USED FOR INVESTING ACTIVITIES</b>	(49,166)	-
<b>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES</b>		
Contributions from members	1,672	105,020
Distributions to members	(75,629)	(40,148)
Cash paid for short term notes payable	-	(100,000)
Change in related entity notes payable	110,345	(1,081)
<b>CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES</b>	36,388	(36,209)
<b>NET INCREASE IN CASH</b>	<b>38,516</b>	<b>19,784</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>34,469</b>	<b>14,685</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 72,985</b>	<b>\$ 34,469</b>

# **Notes to Audited Financial Statements**

# **Hello Sugar Franchise, LLC**

## **Notes to Financial Statements December 31, 2023 and 2022**

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### **Note 1. Nature of Operations**

The Company was organized as a limited liability company under the laws of the State of Arizona on May 24, 2021. The Company grants franchises the right to operate a studio that offers a variety of facial waxing and sugaring services as well as other cosmetic services to the general public. The Company authorizes franchises to use distinctive operating procedures and standards in a limited protected territory and from a single location.

### **Note 2. Summary of Significant Accounting Policies**

The Company's accounting policies conform to accounting principles generally accepted in the United States of America (GAAP). The following policies are considered to be significant.

#### **Cash and Cash Equivalents**

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

#### **Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements; assets, liabilities, and earnings from franchise sales involve extensive reliance on management's estimates. Actual results could differ from those estimates.

#### **Trade Receivables**

Trade accounts receivables are recorded at the net invoice value and are not interest-bearing. An allowance for credit losses on trade receivables is recorded based on the expectation of credit losses and is based upon historical bad debt experience, current economic conditions, expectations of future economic conditions and management's evaluation of the ability to collect individual outstanding balances. Once collection efforts have been exhausted and a receivable is deemed to be uncollectible, such balance is charged against the allowance for credit losses.

#### **Income Taxes**

The Company was organized as a limited liability company with the State of Arizona and has registered with the Internal Revenue Service as a partnership. In lieu of taxes, the members of the Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10. The Company recognized an increase in the liability for unrecognized tax benefits. The company has no tax position at December 31, 2023 and 2022 for which the ultimate deductibility is highly uncertain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses. No such interest or penalties were recognized during the periods presented.

With few exceptions, the Company is no longer subject to U.S. federal or state and local tax examinations by tax authorities for the years before 2020. None of the Company's tax filings are currently under examination.



# Hello Sugar Franchise, LLC

## Notes to Financial Statements, Continued December 31, 2023 and 2022

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### Note 2. Summary of Significant Accounting Policies, Continued

#### Advertising

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising expense was \$12,436 and \$3,305, respectively.

#### Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits and receivables.

The Company maintains its cash deposits at financial institutions. At times such deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Concentrations of credit risk with respect to receivables are limited because the Company routinely assesses the financial strength of its franchisees and follows the practice of aggressively pursuing collection efforts in order to ensure payment. As of December 31, 2023 and 2022, approximately 34% and 33% of all receivables were from two and one customers, respectively.

#### Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606).

In accordance with this standard, revenue recognition of the initial franchise fee, due at the time of signing of the franchise agreement, will occur as specific performance obligations in the franchise agreement are performed by the Company. These performance obligations include consulting and approval of the location and for the design and layout of the location. All franchise fees are allocated to these specific performance obligations and therefore none of these fees are deferred over the life of the franchise agreement.

Pursuant to the terms of the franchise agreement, royalty revenue is based on gross revenues of the franchisees. Other fee revenues, such as reception, software, and training fees are recorded at the time the specific performance obligations are met in accordance as stated in the Company's Franchise Disclosure Document ("FDD").

#### Recently Issued Accounting Standards

In June 2016, the FASB issued ASU 2016-13 and Topic 326, Financial Instruments-Credit Losses. The update requires measurement and recognition of expected credit losses for financial assets held at amortized cost, including accounts receivable. The Company adopted the accounting requirements of the standard on January 1, 2023, using a modified retrospective approach. The adoption of this standard did not have a material impact on the financial statements.

# Hello Sugar Franchise, LLC

## Notes to Financial Statements, Continued December 31, 2023 and 2022

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### Note 2. Summary of Significant Accounting Policies, Continued

#### Leases

The Company determines if an arrangement is a lease at inception, and leases are classified at commencement as either operating or finance leases. As of December 31, 2023 and 2022, the Company had no finance leases. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement based on the present value of the minimum lease payments over the lease term. Leases with a one-year term or less are not recognized on the balance sheet. Additionally, the Company has elected to combine non-lease components with lease components for the purposes of calculating ROU assets and liabilities, to the extent they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease costs. The Company uses the risk-free rate based on information available at the commencement date in determining the present value of future lease payments.

Topic 842 requires that operating leases recognize expense on a straight-line basis over the lease term. The lease term begins on the date the Company has the right to use the lease property. Lease terms may include options to extend or terminate the lease. These options are included in the ROU asset and lease liability when it is reasonably certain that the option will be exercised. The Company leases a facility requiring month-to-month payments, which are expensed as rent and are not included in the ROU asset and lease liabilities.

#### Management Review Date

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through March 1, 2024, the date the financial statements were available to be issued.

### Note 3. Property and Equipment

Property and equipment consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Vehicle	\$ 49,166	\$ -
Less accumulated depreciation	<u>(9,833)</u>	<u>-</u>
Property and equipment, net	<u>\$ 39,333</u>	<u>\$ -</u>

Depreciation expense was \$9,833 and \$0 for the years ended December 31, 2023 and 2022, respectively.

### Note 4. Accrued Expenses

Accrued expenses consist of payroll and credit card balances. Accrued expenses at December 31, 2023 and 2022 were \$84,598 and \$29,321, respectively.

## Hello Sugar Franchise, LLC

### Notes to Financial Statements, Continued December 31, 2023 and 2022

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#### Note 5. Notes Receivable

The notes receivable consists of amounts paid on behalf of four franchisees for franchise fees, other start up costs, supplies, and certain unpaid royalties from initial months of operations. The loans are noninterest bearing and will be paid at varying times through December 2024.

#### Note 6. Related Party Transactions

The managing member of the Company is also an owner in the following related party entities, which had transactions with the Company; Dallas Media, LLC, Salon Wax Supplies, LLC, Hello Sugar Real Estate, LLC. Dallas Media, LLC is the sole provider of advertising services to the franchisees. The Company is the owner of the trademarks of the franchise. Salon Wax Supplies, LLC is the required supplier of wax and supplies to the franchisees. Hello Sugar Real Estate, LLC owns the corporate building from which the Company operates.

#### Related Entity Notes Payable

As of December 31, 2023 and 2022, the Company has related entity notes payables with the related parties noted above for \$146,799 and \$36,454, respectively. There are no repayment terms and are classified as current liabilities.

#### Lease

The Company leases its office facility from a related party on a three-year lease. This operating lease will expire in March 2025.

Future minimum lease payments required are as follows:

Years ending December 31,	
2024	\$ 27,000
2025	2,250
2026	-
2027	-
2028	-
Thereafter	-
	<hr/>
	29,250
Less imputed interest	<hr/> (370)
	<hr/>
	\$ 28,880

Lease payments for such lease totaled \$27,250 and \$19,000 for the years ended December 31, 2023 and 2022, respectively.

## Hello Sugar Franchise, LLC

**General & Administrative Expenses**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Advertising	\$ 12,436	\$ 3,305
Bank charges	4,056	2,045
Contractors	37,612	5,825
Employee benefits	2,626	-
Insurance	27,554	3,295
Lease	27,250	19,000
Travel	3,663	20,668
Miscellaneous	8,214	2,209
Payroll taxes	36,698	16,445
Professional fees	109,472	40,036
Salaries and wages	360,187	120,921
Software	77,731	11,609
Supplies	2,359	-
Taxes and licenses	795	66
Utilities	585	-
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u><u>\$ 711,238</u></u>	<u><u>\$ 245,424</u></u>

**HELLO SUGAR FRANCHISE, LLC**  
**AUDITED FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

## CONTENTS

INDEPENDENT AUDITORS' REPORT .....	2
BALANCE SHEETS .....	4
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY .....	5
STATEMENTS OF CASH FLOWS .....	6
NOTES TO FINANCIAL STATEMENTS .....	7
GENERAL AND ADMINISTRATIVE EXPENSES ( <i>Schedule 1</i> ).....	12

## INDEPENDENT AUDITORS' REPORT

**To the Members**  
**Hello Sugar Franchise, LLC**  
**Scottsdale, Arizona**

### Opinion

We have audited the accompanying financial statements of Hello Sugar Franchise, LLC (an Arizona limited liability company), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and member's equity, and cash flows for the year ended December 31, 2022 and for the period May 24, 2021 (date of formation) to December 31, 2021, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hello Sugar Franchise, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the year ended December 31, 2022 and for the period May 24, 2021 (date of formation) to December 31, 2021 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Hello Sugar Franchise, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hello Sugar Franchise, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Adams & Peterson, CPAs LLC*

Clearfield, Utah  
July 12, 2023



**HELLO SUGAR FRANCHISE, LLC**  
**BALANCE SHEETS**  
**December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 34,469	\$ 14,685
Receivables	90,783	9,408
Current portion of notes receivable	40,449	21,062
Prepaid expenses	16,588	3,946
Other current assets	518	77
TOTAL CURRENT ASSETS	182,807	49,178
RIGHT OF USE ASSET FROM OPERATING LEASES	54,688	-
NOTES RECEIVABLE	5,151	20,370
TOTAL ASSETS	<u>\$ 242,646</u>	<u>\$ 69,548</u>
<b>LIABILITIES AND MEMBER'S EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 4,419	\$ 2,744
Accrued expenses	29,321	11,325
Operating lease liability	25,808	-
Short term notes payable	-	100,000
Related entity notes payable	36,454	37,535
TOTAL CURRENT LIABILITIES	96,002	151,604
OPERATING LEASE LIABILITY	28,880	-
MEMBER'S EQUITY (DEFICIT)	117,764	(82,056)
TOTAL LIABILITIES AND MEMBER'S EQUITY (DEFICIT)	<u>\$ 242,646</u>	<u>\$ 69,548</u>

*The accompanying notes are an integral part of the financial statements.*

**HELLO SUGAR FRANCHISE, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY**  
**Year Ended December 31, 2022 And For The Period May 24, 2021 (Date of**  
**Formation) to December 31, 2021**

---

	<u>2022</u>	<u>2021</u>
REVENUES		
Reception fees	\$ 464,094	\$ 68,504
Training fees	177,791	14,000
Royalties	173,487	32,919
Franchise fees	132,110	25,000
Software fees	13,456	-
	<u>960,938</u>	<u>140,423</u>
COST OF REVENUES	<u>580,566</u>	<u>63,403</u>
GROSS PROFIT	380,372	77,020
EXPENSES		
General and administrative <i>(Schedule I)</i>	<u>245,424</u>	<u>88,415</u>
NET INCOME (LOSS)	\$ 134,948	\$ (11,395)
MEMBER'S EQUITY		
Balance - beginning of year	\$ (82,056)	\$ -
Contributions from members	105,020	43,975
Distributions to members	<u>(40,148)</u>	<u>(14,636)</u>
Balance - end of year	<u><u>\$ 117,764</u></u>	<u><u>\$ (82,056)</u></u>

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*The accompanying notes are an integral part of the financial statements.*

**HELLO SUGAR FRANCHISE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**Year Ended December 31, 2022 And For The Period May 24, 2021 (Date of**  
**Formation) to December 31, 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES		
Cash received from revenues	\$ 875,395	\$ 89,583
Less cash paid for:		
Cost of revenues	578,891	60,736
General and administrative expenses	240,511	81,036
	<u>819,402</u>	<u>141,772</u>
Net cash flows from (used by) operating activities	55,993	(52,189)
CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES		
Contributions from members	105,020	43,975
Distributions to members	(40,148)	(14,636)
Cash paid for short term notes payable	(100,000)	-
Change in related entity notes payable	(1,081)	37,535
Net cash flows from (used by) financing activities	<u>(36,209)</u>	<u>66,874</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	19,784	14,685
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>14,685</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 34,469</u>	<u>\$ 14,685</u>

*The accompanying notes are an integral part of the financial statements.*

**HELLO SUGAR FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Company's accounting policies conform to U.S. generally accepted accounting principles. The following policies are considered to be significant:

*Organization and Business Activity*

The Company was organized as a limited liability company under the laws of the State of Arizona on May 24, 2021. The Company grants franchises the right to operate a studio that offers a variety of facial waxing and sugaring services as well as other cosmetic services to the general public. The Company authorizes franchises to use distinctive operating procedures and standards in a limited protected territory and from a single location.

*Cash and Cash Equivalents*

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

*Use of Estimates in the Preparation of Financial Statements*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements; assets, liabilities, and earnings from franchise sales involve extensive reliance on management's estimates. Actual results could differ from those estimates.

*Trade Accounts Receivable*

Trade accounts receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Any potential allowance is not material to the financial statements.

*Income Taxes*

The Company was organized as a limited liability company with the State of Arizona and has registered with the Internal Revenue Service as a partnership. In lieu of taxes, the members of the Company are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

**HELLO SUGAR FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Income Taxes (Continued)*

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10. The Company recognized an increase in the liability for unrecognized tax benefits. The company has no tax position at December 31, 2022 and 2021 for which the ultimate deductibility is highly uncertain but for which there is uncertainty about the timing of such deductibility. The Company recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses. No such interest or penalties were recognized during the periods presented.

*Advertising*

Advertising costs are expensed as incurred. For the year ended December 31, 2022 and period May 24, 2021 (date of formation) to December 31, 2021, advertising expense was \$3,305 and \$4,034, respectively.

*Concentrations of Credit Risk*

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposits and receivables.

The Company maintains its cash deposits at financial institutions. At times such deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash.

Concentrations of credit risk with respect to receivables are limited because the Company routinely assesses the financial strength of its franchisees and follows the practice of aggressively pursuing collection efforts in order to ensure payment. As of December 31, 2022 and 2021, approximately 33% and 63% of all receivables were from one and three customers, respectively.

*Revenue Recognition*

The Company recognizes revenue in accordance with Accounting Standards Update ("ASU") 2014-09 Revenue from Contracts with Customers (Topic 606).

In accordance with this standard, revenue recognition of the initial franchise fee, due at the time of signing of the franchise agreement, will occur as specific performance obligations in the franchise agreement are performed by the Company. These performance obligations include consulting and approval of the location and for the design and layout of the location. All franchise fees are allocated to these specific performance obligations and therefore none of these fees are deferred over the life of the franchise agreement.

**HELLO SUGAR FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Pursuant to the terms of the franchise agreement, franchisees will pay an initial training fee and monthly fees for royalties based on gross revenue, per appointment reception fees, and technology fees as stated in the Company's Franchise Disclosure Document ("FDD"). The applicable fees are recorded as revenue and recognized as these services are completed.

Recently Issued Accounting Standards

In February, 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASC 842") which requires lessees to recognize right-of-use ("ROU") assets and related lease liabilities on the balance sheet for all leases greater than one year in duration. We adopted ASC 842 on January 1, 2022, using a modified retrospective transition approach applying the lease standard at the adoption date. This approach requires a cumulative effect adjustment to the opening balance of member's equity in the period of adoption, which was not significant to the Company. The modified retrospective approach did not require any transition accounting for leases that expired before the earliest comparative period presented. The adoption of this standard resulted in the recording of ROU assets and lease liabilities for the lease agreement with original terms of greater than one year. The adoption of ASC 842 did not have a significant impact on the statements of operations and member's equity or cash flows. See Note 2 for the required disclosures relating to the lease agreement.

Leases

The Company determines if an arrangement is a lease at inception, and leases are classified at commencement as either operating or finance leases. As of December 31, 2022 and 2021, the Company had no finance leases. Right-of-use ("ROU") assets and lease liabilities are recognized at commencement based on the present value of the minimum lease payments over the lease term. Leases with a one-year term or less are not recognized on the balance sheet. Additionally, the Company has elected to combine non-lease components with lease components for the purposes of calculating ROU assets and liabilities, to the extent they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease costs. The Company uses the risk-free rate based on information available at the commencement date in determining the present value of future lease payments.

Topic 842 requires that operating leases recognize expense on a straight-line basis over the lease term. The lease term begins on the date the Company has the right to use the lease property. Lease terms may include options to extend or terminate the lease. These options are included in the ROU asset and lease liability when it is reasonably certain that the option will be exercised. The Company leases a facility requiring month-to-month payments, which are expensed as rent and are not included in the ROU asset and lease liabilities.

**HELLO SUGAR FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management Review Date

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through July 12, 2023, the date the financial statements were available to be issued.

NOTE 2 - ACCRUED EXPENSES

Accrued expenses consist of payroll and credit card balances. Accrued expenses at December 31, 2022 and 2021 were \$29,321 and \$11,325, respectively.

NOTE 3 - CASH FLOWS FROM (USED BY) OPERATING ACTIVITIES

The following schedule reconciles net income as reported in the accompanying statement of operations with net cash flows from (used by) operating activities in the statement of cash flows for the year ended December 31, 2022 and period May 24, 2021 (date of formation) to December 31, 2021:

	<u>2022</u>	<u>2021</u>
Net income (loss)	\$ 134,948	\$ (11,395)
(Increase) decrease in assets:		
Accounts receivable	(81,375)	(9,408)
Prepaid expenses	(12,642)	(3,946)
Other current assets	(364)	(77)
Notes receivables	(4,168)	(41,432)
Increase (decrease) in liabilities:		
Accounts payable	1,675	2,744
Accrued expenses	<u>17,919</u>	<u>11,325</u>
Net cash flows from (used by) operating activities	<u>\$ 55,993</u>	<u>\$ (52,189)</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended December 31, 2022 the Company did not have any non-cash investing and financing activities. For the period May 24, 2021 (date of formation) to December 31, 2021, the Company had a payable for \$100,000 and a reduction to equity for a buyout of one of its' members.

**HELLO SUGAR FRANCHISE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2022 and 2021**

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**NOTE 4 - NOTES RECEIVABLE**

The notes receivable consists of amounts paid on behalf of four franchisees for franchise fees, other start up costs, supplies, and certain unpaid royalties from initial months of operations. The loans are noninterest bearing and will be paid at varying times through September 2024.

**NOTE 5 - RELATED PARTY TRANSACTIONS**

The managing member of the Company is also an owner in the following related party entities, which had transactions with the Company; Dallas Media LLC, Salon Wax Supplies LLC, Hello Sugar TN LLC, Hello Sugar Real Estate LLC. Dallas Media LLC is the sole provider of advertising services to the franchisees. Hello Sugar LLC is the owner of the marks of the franchise. Salon Wax Supplies LLC is the required supplier of wax and supplies to the franchisees. Hello Sugar TN LLC owns salon locations in Tennessee. Hello Sugar Real Estate LLC owns the corporate building from which the Company operates.

*Related Entity Notes Payables*

As of December 31, 2022 and 2021, the Company has related entity notes payables with the related parties noted above for \$36,454 and \$37,535, respectively. There are no repayments terms.

*Lease*

The Company leases its office facilities from a related party on a three-year lease. This operating lease will expire in March 2025.

Future minimum lease payments required are as follows:

2023	\$	26,750
2024		27,000
2025		2,250
2026		-
2027		-
Thereafter		-
		<hr/> 56,000
Imputed interest		(1,312)
Total minimum lease payments	\$	<hr/> <hr/> 54,688

Lease payments for such lease totaled \$19,000 and \$0 for the year ended December 31, 2022 and period from May 24, 2021 (date of formation) to December 31, 2021, respectively.



**HELLO SUGAR FRANCHISE, LLC**  
**GENERAL AND ADMINISTRATIVE EXPENSES**  
**Year Ended December 31, 2022 And For The Period May 24, 2021 (Date of**  
**Formation) to December 31, 2021**

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	<u>2022</u>	<u>2021</u>
Advertising	\$ 3,305	\$ 4,034
Bank charges	2,045	310
Contractors	5,825	27,832
Insurance	3,295	102
Leases	19,000	-
Travel	20,668	-
Miscellaneous	2,209	256
Payroll taxes	16,445	-
Professional fees	40,036	12,966
Salaries and wages	120,921	29,390
Software	11,609	11,423
Taxes and licenses	<u>66</u>	<u>2,102</u>
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	<u>\$ 245,424</u>	<u>\$ 88,415</u>

**THESE STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESS HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

**Hello Sugar Franchise LLC**  
**Balance Sheet**  
**As of July 31, 2024**

Accrual Basis

**ASSETS**

<b>CURRENT ASSETS</b>	<b>\$</b>	<b>437,991</b>
<b>NONCURRENT ASSETS</b>	<b>\$</b>	<b>78,213</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>516,204</b>

**LIABILITIES AND MEMBER'S EQUITY**

<b>CURRENT LIABILITIES</b>	<b>\$</b>	<b>284,351</b>
<b>NONCURRENT LIABILITIES</b>	<b>\$</b>	<b>2,246</b>
<b>MEMBER'S EQUITY</b>	<b>\$</b>	<b>229,607</b>
<b>TOTAL LIABILITIES AND MEMBER'S EQUITY</b>	<b>\$</b>	<b>516,204</b>

# Hello Sugar Franchise LLC

## Profit and Loss

January - July, 2024

Accrual Basis

ORDINARY INCOME/EXPENSE	
INCOME	\$ 1,491,183.34
GROSS PROFIT	\$ 1,491,183.34
EXPENSES	\$ 1,385,593.46
NET OPERATING INCOME	\$ 105,589.88
NET OTHER INCOME	\$ 11,538.41
NET INCOME	\$ 117,128.29

**EXHIBIT E**

**HELLO SUGAR OPERATIONS MANUAL**

**TABLE OF CONTENTS (65 Pages)**

**EXHIBIT F****FRANCHISED OUTLETS AS OF DECEMBER 31, 2023****SUITES**

<b>Franchisee</b>	<b>Individual Contact</b>	<b>Address</b>	<b>City/State/Zip</b>	<b>Phone</b>
Bredex Holdings LLC	Lisa Lines	4262 N First Ave. Suite 24	Tucson AZ 85719	(520) 416-4981
Morales Holdings, LLC	Rebecca Morales	5460 E. Broadway Blvd, Suite 324 Room 102	Tucson, AZ 85711	(520) 416-4986
Glazier Ventures Colorado Inc	John Glazier	13923 E Exposition Ave., Suite 2	Aurora, CO 80012	(303) 731-4451
Glazier Ventures – Colorado Inc	John Glazier	7150 N Academy Blvd Suites 6 & 26	Colorado Springs, CO 80920	(719) 767-1350
Glazier Ventures Colorado Inc	John Glazier	3333 S Tamarac Drive, Suite 129	Denver, CO 80231	(303) 529-8738
Glazier Ventures Colorado Inc	John Glazier	1931 Sheridan Boulevard, Unit H, Suites 115 and 116	Edgewater, CO 80214	(720) 743-7063
Glazier Ventures – Colorado Inc	John Glazier	9310 Sheridan Boulevard Suite 11	Westminster CO 80030	(720) 743-6477
Cannon Ventures LLC	Carina Cannon	1442 NE Miami Pl Suite 213	Miami, FL 33132	(786) 788-7386
Honeymoney LLC	Cody Kennedy	2626 Edgewater Drive Studio 15	Orlando, FL 32804	(407) 250 7258
Honeymoney LLC	Cody Kennedy	30 W Grant St. Suite 129	Orlando, FL 32806	(407) 988-2108
Honeymoney LLC	Cody Kennedy	5907 Turkey Lake Rd. #112	Orlando, FL 32819	(407) 337-2573
BBLASSTT FL 1 LLC	Leo Ebbert	3810 S Dale Mabry Hwy #205	Tampa FL 33611	(813) 945-4006
BBLASSTT FL 1 LLC	Leo Ebbert	Salon Lofts, 13145 N Dale Mabry Hwy #D Suite 21,	Tampa, FL 33618	(813) 945-4016
Dacia Athens LLC	Austin Towns	100 Prince Ave, Suite 109	Athens, GA 30601	(706) 535-5878
Dacia Franchise, LLC	Austin Towns	1512 Piedmont Ave. NE, Suite 21 and 23	Atlanta, GA 30324	(678) 270-2038
Dacia Franchise, LLC	Austin Towns	4705 Ashford Dunwoody Road, Suite 6 and 14	Dunwoody, GA 30338	(770) 691-0595
Coles Holdings LLC	Weston Coles	12517 S Rogers Rd Suite 705	Olathe, KS 66062	(913) 355-6632
Coles Holdings, LLC	Weston Coles	9270 Metcalf Ave., Suites 105 and 117	Overland Park, KS 66212	(913) 386-5446
Coles Holdings, LLC	Weston Coles	441 E 19 <sup>th</sup> Street, Suites 928 and 929	Kansas City, MO 64108	(816) 203-1567
Blau Holdings LLC	Ariel Blau	1 Page Avenue	Asheville NC, 28801	(828) 882-2322

Silvia Salons, LLC	April Silvia	9904 Sandy Rock Place, Suite D	Charlotte, NC 28277	(704) 594-3901
Silvia Salons, LLC	April Silvia	650 E Brooklyn Vlg Ave	Charlotte, NC 28202	(704) 594-3991
Silvia Salons, LLC	April Silvia	10216 Perimeter Pkwy, Ste A	Charlotte, NC 28205	(704) 594-3124
Silvia Salons, LLC	April Silvia	2320 N Davidson St.	Charlotte, NC 28205	(704) 594-3125
Silvia Salons, LLC	April Silvia	9949 E. Independence Blvd	Matthews, NC 28105	(704) 594-3986
Cream and Sugar LLC	Amit Chandani	870 Garden Park Blvd. Suite #6	Cherry Hill, NJ 08002	(856) 485-8030
Ficks, LLC	Zach Parry	520 Marks Street, Suite 139	Henderson, NV 89014	(702) 829-5289
Ficks, LLC	Zach Parry	9850 Maryland Pwky. #14	Las Vegas NV 89183	(702) 996-3224
Ficks, LLC	Zach Parry	9414 West Lake Mead Boulevard, Suite 123	Las Vegas, NV 89134	(702) 224-2857
Ficks, LLC	Zach Parry	6578 North Decatur Boulevard, Suite 113	Las Vegas, NV 89131	(702) 829-5286
Ficks, LLC	Zach Parry	6035 South Durango Drive Suite 202	Las Vegas NV 89113	(702) 541-9406
Nordic Beauty LLC	Heidi Green	4711 SE Belmont St	Portland OR 97215	(503) 548-4745
Li HS Investments, LLC	Shion Li	2020 Gunbarrel Road, Unit 194, Suite 122	Chattanooga, TN 37421	(423) 551-9830
Li HS Investments LLC	Shion Li	760 N Thompson Lane Suite #16	Murfreesboro, TN 37129	(615) 645-2806
Li HS Investments LLC	Shion Li	210 25 <sup>th</sup> Avenue North Suite #34 & #36	Nashville, TN 37203	(615) 645-2804
Kiva Latte, LLC	Zach Parry	7817 Rockwood Lane #206b	Austin, TX 78757	(512) 865-6215
Kiva Latte LLC	Zach Parry	10001 S I-35 Frontage Rd #200	Austin, TX 78747	(512) 706-9958
Christian Holdings, LLC	Christian Hughes	5103 Bellaire Blvd. Suite 211	Bellaire, TX 77401	(346) 375-7486
WTID Enterprises LLC	Lexi Bodem	1440 Robinson Road, Suite 240	Corinth, TX 76210	(940) 969-4008
Rueckert Hughes Ventures LLC	Christian Hughes	9945 Barker Cypress Rd	Cypress, TX 77433	(832) 402-7063
3PTT Group LLC	Megan Vukich	7324 Gaston Ave. Suite 37	Dallas, TX 75214	(469) 804-5585
3PTT Group LLC	Megan Vukich	17194 Preston Road, Building 151, Suite 112	Dallas, TX 75248	(469) 804-5580
SpackmanSalons Co.	Emily Spackman	19056 Gulf Fwy	Friendswood, TX 77546	(281) 393-4411

WTID Enterprises 2 LLC	Lexi Bodem	1100 Cottonwood Creek Unit 110 Suite #129	Highland Village TX 75077	(940) 969-4392
Christian Holdings, LLC	Christian Hughes	2034 A West Gray Suite 138	Houston, TX 77019	(346) 375-7482
Christian Holdings, LLC	Christian Hughes	2401 N Shepherd Drive #200 Suite 202	Houston, TX 77008	(346) 375-7484
Rueckert Hughes Ventures LLC	Christian Hughes	6935 Cypress Creek Pkwy #45	Houston, TX 77069	(346) 818-3379
Hughes Bliss Ventures LLC	Christian Hughes	24551 Katy Fwy	Katy, TX 77494	(281) 394 1784
SpackmanSalons Co.	Emily Spackman	9515 Broadway St	Pearland, TX 77584	(281) 886-0425
Heather Christian Ventures LLC	Christian Hughes	9107 Farm to Market Rd 723 #305	Richmond TX 77406	(281) 668 4339
Kiva Latte LLC	Zach Parry	3021 S I-35 Frontage Rd	Round Rock, TX 78664	(512) 675-5422
Ferlan Co LLC	Ana Ferlan	225 E Basse Road Suite 13 & 14	San Antonio, TX 78209	(210) 405-2075
Fowler Hughes Ventures LLC	Christian Hughes	4057 Riley Fuzzel Rd #700 Suite 102	Spring, TX 77386	(281) 501-7321
Davis Hughes Ventures LLC	Christian Hughes	2181 Texas Dr	Sugar Land, TX 77479	(346) 375-7480
East Orchard Holdings LLC	Tanner Andresen	777 Grassland Drive Suite #111	American Fork, UT 84003	(385) 331-1414
R&J Salon Services LLC	Ryan Krieger	567 West 2600 South	Bountiful, UT 84010	(801) 919-8907
East Orchard Holdings LLC	Tanner Andresen	43 Fort Union Blvd.	Midvale, UT 84047	(801) 919-8650
Fortis Lavonne Enterprises LLC	William Poggi	8607 Westwood Center Suite #5	Vienna, VA 22182	(703) 810-7144

\*Represents a Franchisee that has signed an Area Development Agreement with us. Currently, no franchisees have signed Development Agreements with us.



### **FLAGSHIPS**

<b>Franchisee</b>	<b>Individual Contact</b>	<b>Address</b>	<b>City/State/Zip</b>	<b>Phone</b>
Aslamy Holdings, LLC	Tamina Aslamy	107 N. San Francisco Street, Suite 4	Flagstaff, AZ 86001	(928) 223-4707
Glazier Ventures Idaho Inc.	John Glazier	2126 N Eagle Rd Suite 120	Meridian, ID 83642	(208) 254-1281
Delicate Lines LLC	Erin Barnes	254 Union Square NW	Hickory, NC 28601	(828) 382-8624

\*Represents a Franchisee that has signed an Area Development Agreement with us. Currently, no franchisees have signed Development Agreements with us.

### **FRANCHISEES WITH SIGNED FRANCHISE AGREEMENTS, BUT WERE NOT OPEN AS OF DECEMBER 31, 2023**

<b>Franchisee</b>	<b>Individual Contact</b>	<b>Address</b>	<b>City/State</b>	<b>Phone</b>
Equity Cloud LLC	Isayah Henry	Solas Salons 1600 SE Rd Suite 15	Farmington CT 06032	(860) 703-3436
Li HS Investments LLC	Shion Li	4928 Homberg Dr Building B	Knoxville TN 37919	(865) 280-5772
Bushmaster Anonymous, LLC	Nick Janka	3141 E. Broad Street Suite #303 Salon #125	Mansfield TX 76063	(817) 592-9100

\*Represents a Franchisee that has signed an Area Development Agreement with us. Currently, no franchisees have signed Development Agreements with us.

### **FRANCHISEES THAT LEFT THE SYSTEM DURING 2023**

<b>Franchisee</b>	<b>Individual Contact</b>	<b>City/State</b>	<b>Phone</b>	<b>Reason</b>
Honeymoney LLC	Michael Martin	Orlando, FL	(801) 228-8839	Transfer
Honeymoney LLC	Michael Martin	Orlando, FL	(801) 228-8839	Transfer
Honeymoney LLC	Michael Martin	Orlando, FL	(801) 228-8839	Transfer

Dacia Franchise LLC	Austin Towns	Alpharetta, GA	(706) 535-5878	Ceased Operations
Coles Holdings LLC	Weston Coles	Kansas City, MO	(816) 203-1567	Ceased Operations
Triggs LLC	Taggart Krueger	Charlotte, NC	(425) 677-5484	Transfer
Triggs LLC	Taggart Krueger	Charlotte, NC	(425) 677-5484	Transfer
Triggs LLC	Taggart Krueger	Charlotte, NC	(425) 677-5484	Transfer
Triggs LLC	Taggart Krueger	Charlotte, NC	(425) 677-5484	Transfer
Kiva Latte LLC	Ryan Avila	Austin, TX	(801) 970-4420	Transfer
Kiva Latte LLC	Ryan Avila	Austin, TX	(801) 970-4420	Transfer
Kiva Latte LLC	Ryan Avila	Austin, TX	(801) 970-4420	Transfer
Sugar Wax SC LLC	Spencer Cullers	San Antonio, TX	(210) 405-2075	Transfer
Triggs LLC	Taggart Krueger	Bountiful, UT	(425) 677-5484	Transfer
Assayah Services LLC	Olga Assayah	Midvale, UT	(801) 597-3005	Transfer

**EXHIBIT G**  
**STATE ADDENDA**

## **CALIFORNIA ADDENDUM TO THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT**

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement or Area Development Agreement contains provisions that are inconsistent with the law, the law will control.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. A contract that restrains a former franchisee from engaging in a lawful trade or business is to that extent void under California Business and Professions Code Section 16600.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
6. Neither the franchisor, any person in Item 2 of the Disclosure Document, or any franchise broker 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. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
7. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
8. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
9. Pursuant to CA Corp Code § 31512.1 any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
  - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
  - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
  - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
  - (d) Violations of any provisions of this division.

10. The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.
11. OUR WEBSITE, [www.hellosugar.salon](http://www.hellosugar.salon), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).
12. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
13. Both the Governing Law and Choice of Law for Franchisees operating outlets located in California, will be the California Franchise Investment Law and the California Franchise Relations Act regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the franchise agreement or amendment to or any agreement to the contrary is superseded by this condition.
14. Section 19 is hereby removed from the Franchise Agreement.

The parties hereto have duly executed, sealed, and delivered this Addendum dated this day of \_\_\_\_\_.

**FRANCHISOR:**

**HELLO SUGAR FRANCHISE, LLC**

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

Name: \_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

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

## CALIFORNIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 et seq. the Franchise Disclosure Document for Hello Sugar Franchise LLC for use in the State of California shall be amended as follows:

Item 3 of the FDD is supplemented to include the following:

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

Item 6 of the FDD is supplemented to include the following:

The highest applicable interest rate in California is ten percent (10%).

Item 17 of the FDD shall be supplemented to include the following:

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

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

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.

The Franchise Agreement requires application of the law of the State of Arizona. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010

voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

California Business and Professions Code sections 20000 through 20043 (the Franchise Relations Act) 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.

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 and 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.

As per California Rule 310.156.3(a)(3):

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

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

## **ILLINOIS ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF ILLINOIS**

The following are revisions to Item 17 of the disclosure document:

The Illinois Franchise Disclosure Act applies. The conditions under which the franchise can be terminated and the rights upon non-renewal may be affected and are governed by Illinois Franchise Disclosure Act, 815 ILCS 705/19, 20 (West 2016).

Illinois law governs the franchise agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside of Illinois is void. However, a franchise agreement may provide for arbitration in a venue outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act, or any other law of Illinois, is void.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Disclosure Document.

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 and 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.

### **HELLO SUGAR FRANCHISE LLC**

### **FRANCHISEE**

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

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

Name:\_\_\_\_\_

Name:\_\_\_\_\_

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

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

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

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



**ILLINOIS ADDENDUM TO THE FRANCHISE AGREEMENT  
AND DEVELOPMENT AGREEMENT**

**ALL FRANCHISE AGREEMENTS AND AREA DEVELOPMENT AGREEMENTS  
EXECUTED IN AND OPERATIVE WITHIN THE STATE OF ILLINOIS ARE HEREBY  
AMENDED AS FOLLOWS:**

1. The Franchisor and Franchisee hereby acknowledge that this Agreement shall be governed by Illinois law.
2. Section 41 of the Illinois Franchise Disclosure Act states that “any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of Illinois is void.”
3. The conditions under which the Franchised Business may be terminated and the Franchisee’s rights upon non-renewal are governed by Illinois Franchise Disclosure Act, 815 ILCS 705/19, 20 (West 2016).
4. With respect to any agreement executed and operational in the State of Illinois, any governing law or choice of law clause granting authority to a state other than Illinois is hereby amended to grant authority of the Illinois Franchise Disclosure Act.
5. 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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement or Multi-Unit Addendum.

**HELLO SUGAR FRANCHISE LLC**

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

Name:\_\_\_\_\_

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

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

**FRANCHISEE**

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

Name:\_\_\_\_\_

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

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

## **INDIANA ADDENDUM TO THE FRANCHISE AGREEMENT**

### **ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF INDIANA ARE HEREBY AMENDED AS FOLLOWS:**

1. Any agreement executed in and operative within the State of Indiana shall be governed by applicable Indiana franchise laws and the right of any franchisee to institute a civil action or initiate arbitral proceedings within the State of Indiana shall not be deemed to have been abridged in any form or manner by any provisions contained in this Agreement.
2. In compliance with Indiana Code 12-2-2.7-1(9), any provisions in this Franchise Agreement relating to non-competition upon the termination or non-renewal of the Franchise Agreement shall be limited to a geographic area not greater than the Franchise Area granted in this Franchise Agreement and shall be construed in accordance with Indiana Code 23-2-2.7-1(9).
3. Indiana Code section 23-2-2.7-1(10) prohibits the choice of an exclusive forum other than Indiana.
4. Indiana Code section 23-2-2.7-1(10) prohibits the limitation of litigation. The Indiana Secretary of State has interpreted this section to prohibit provisions in contracts regarding liquidated damages. Accordingly, any provisions in the Franchise Agreement regarding liquidated damages may not be enforceable.
5. In compliance with Indiana Code 23-2-2.7-1(10), any inference contained in this Franchise Agreement to the effect that the Franchisor “is entitled” to injunctive relief shall, when applicable to a Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted, understood to mean and replace the words “may seek”.
6. Indiana Code section 23-2-2.5 and 23-2-2.7 supersedes the choice of law clauses of the Franchise Agreement.
7. Indiana Code section 23-2-2.7-1 makes it unlawful for a franchisor to terminate a franchise without good cause or to refuse to renew a franchise on bad faith.
8. Any reference contained in this Franchise Agreement to a prospective franchisee's “exclusive Franchise Area” shall, in any Franchise Agreement executed in and operative within the State of Indiana, hereby be deleted and replaced with the words “non-exclusive Franchise Area”.
9. In compliance with Indiana Code 23-2-2.7-1(5), any requirement that the Franchisee must execute a release upon termination of this Agreement shall not be mandatory and is hereby made discretionary. However, Franchisee shall execute all other documents necessary to fully rescind all agreements between the parties under this Agreement.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**HELLO SUGAR FRANCHISE LLC**

**FRANCHISEE**

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

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

Name:\_\_\_\_\_

Name:\_\_\_\_\_

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

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

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

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

## **MARYLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

Item 5 of the disclosure document shall be amended as follows:

Please be advised that we have secured a surety bond in the amount of \$175,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees/developers under the Franchise Agreement and/or Development Agreement. This financial assurance required was imposed by the Maryland Division of Securities due to Franchisor's financial status. A copy of the surety bond is on file with the Maryland Division of Securities.

Item 17 of the disclosure document shall be amended as follows:

The general release required as a condition of the sale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. Despite the provisions of Item 17, the franchise may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

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

Any provision in the Franchise Disclosure Document or agreement(s) which provide for termination upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

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 and 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.

## **MARYLAND ADDENDUM TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

### **THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT TO WHICH THIS ADDENDUM IS ATTACHED AND INCORPORATED IS HEREBY AMENDED AS FOLLOWS:**

1. Despite anything to the contrary contained in the Franchise Agreement, the general release required as a condition of the resale of an existing franchise by a franchisee shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.
2. Article 19.17 is hereby removed from the Franchise Agreement.
3. Despite the provisions of Article 29 and Article 23, the Franchisee may sue in the State of Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
4. The acknowledgements and representations contained in the Franchise Agreement are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred by Hello Sugar Franchise, LLC under the Maryland Franchise Registration and Disclosure Law.
5. Please be advised that we have secured a surety bond in the amount of \$175,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees/developers under the Franchise Agreement and/or Development Agreement. This financial assurance required was imposed by the Maryland Division of Securities due to Franchisor's financial status. A copy of the surety bond is on file with the Maryland Division of Securities.
6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**The undersigned hereby acknowledge and agree that this addendum is hereby made part  
of and incorporated into the foregoing Franchise Agreement.**

**HELLO SUGAR FRANCHISE LLC**

**FRANCHISEE**

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

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

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

**HELLO SUGAR FRANCHISE, LLC**  
**MINNESOTA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Hello Sugar Franchise, LLC Franchise Disclosure Document.

**Item 6**

NSF checks and related interest and attorneys' fees are governed by Minnesota Statute § 604.113, which puts a cap of \$30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.

**Item 13**

Hello Sugar Franchise, LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

**Item 17**

Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Disclosure Document, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

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

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibits Hello Sugar Franchise, LLC to require litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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.

To the extent you are required to execute a general release in favor of Hello Sugar Franchise, LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. §80C.01 et seq. as provided by Minn. Rule 2860.4400J.

The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(j). Also, a court will determine if a bond is required.

Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

## **Questionnaire**

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 ADDENDUM TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT

This Amendment shall pertain to franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement shall be amended as follows:

1. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Agreement, Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 require, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Franchise Agreement.

2. Hello Sugar Franchise, LLC will protect your right to use the trademarks, service marks, trade names, logotypes or other commercial symbols or will indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the marks to the extent required by Minnesota law.

3. The Franchise Agreement shall be supplemented by the following provision:

Pursuant to Minn. Stat. Sec. 80C.21, nothing in this Agreement shall, in any way abrogate or reduce any of your rights as provided in Minnesota Statutes, Chapter 80C, including but not limited to the right to submit matters to the jurisdiction of the courts of Minnesota.

4. Minn. Stat. '80.C.21 and Minn. Rule 2860.4400J prohibit Hello Sugar Franchise, LLC from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Franchise Disclosure Document or 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.

5. To the extent you are required to execute a general release in favor of Hello Sugar Franchise, LLC, such release shall exclude liabilities arising under the Minnesota Franchises Act, Minn. Stat. '80C.01 *et seq.* as provided by Minn. Rule 2860.4400J.

6. Any claims brought pursuant to the Minnesota Franchises Act, '80.C.01 *et seq.* must be brought within 3 years after the cause of action accrues. To the extent that any provision of the Franchise Agreement imposes a different limitations period, the provision of the Act shall control.

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

8. NSF checks and related interest and attorneys' fees are governed by Minnesota Statute §604.113, which puts a cap of \$30 on initial service charge and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.



9. The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

10. Minnesota Rule 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

**FRANCHISOR**

**HELLO SUGAR FRANCHISE, LLC**

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

Name: \_\_\_\_\_  
[Name], [Title]

**FRANCHISEE**

**[NAME]**

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

Name: \_\_\_\_\_  
[Name], [Title]

## **NEW YORK ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT NOTICE TO PROSPECTIVE FRANCHISEES IN THE STATE OF NEW YORK**

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent

conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust; trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added at the end of Item 4:

Neither Hello Sugar Franchise LLC, nor its affiliates, officers, or directors during the 10 year period immediately preceding the date of the offering prospectus have (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

4. The following are revisions to Item 5 of the disclosure document:

The Initial Franchise Fee is to be used for the purpose of sales development, training, and marketing costs as set forth in Item 7.

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

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

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

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

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”

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

8. The following is added to the end of the “Summary” section of Item 17(v), titled “**Choice of forum**”, and Item 17(w), titled “**Choice of Law**”:

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

**NEW YORK ADDENDUM TO THE FRANCHISE AGREEMENT  
AND DEVELOPMENT AGREEMENT**

**ALL FRANCHISE AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE  
STATE OF NEW YORK ARE HEREBY AMENDED AS FOLLOWS:**

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

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 and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.

**HELLO SUGAR FRANCHISE LLC**

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

Name:\_\_\_\_\_

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

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

**FRANCHISEE**

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

Name:\_\_\_\_\_

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

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

**ADDENDUM TO THE HELLO SUGAR FRANCHISE LLC FRANCHISE DISCLOSURE  
DOCUMENT, AREA DEVELOPMENT AGREEMENT, AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF NORTH DAKOTA**

The North Dakota Securities Commissioner requires that certain provisions contained in franchise documents be amended to be consistent with North Dakota law, including the North Dakota Franchise Investment Law, NDCC § 51-19 *et seq.* ("NDFIL"). To the extent that (a) the jurisdictional requirements of the NDFIL are met and (b) this Franchise Disclosure Document, Franchise Agreement, and Area Development Agreement contain provisions that are inconsistent with the following, such provisions are hereby amended:

1. Covenants not to compete upon termination or expiration of the franchise agreement are subject to NDCC § 9-08-06.
2. To the extent required by the NDFIL, arbitration proceedings shall take place at a location mutually agreed upon by you and us.
3. Any requirement that you consent to (i) the jurisdiction of courts outside of North Dakota, (ii) the application of laws of a state other than North Dakota, (iii) waiver of jury trial or (iv) waiver of exemplary and punitive damages shall not apply to the extent prohibited by the NDFIL;
4. Any release required as a condition to a renewal of the franchise agreement shall not apply to the extent prohibited by the NDFIL;
5. Any requirement that you consent to a limitation of claims shall not apply to the extent prohibited by the NDFIL. As applicable, the statute of limitations under North Dakota law shall control.
6. The prevailing party in any enforcement action is entitled to recover all costs and expenses, including attorney's fees.
8. Item 17(u) of the Disclosure Document is amended to provide the site of arbitration or mediation be agreeable to all parties and may not be remote from the franchisee's place of business.
9. Item 17(v) of the Disclosure Document, the Franchise Agreement and the Area Development Agreement are amended to delete the provision that franchisees must consent to the jurisdiction of courts in Arizona.
10. Item 17 (w) of the Disclosure Document, the Franchise Agreement, and the Area Development Agreement are amended to delete the provision that the agreement shall be construed according to the laws of the State of Arizona.
10. The Franchise Agreement is amended to delete the provision that franchisees consent to a waiver of exemplary and punitive damages.
11. The Franchise Agreement requires the franchisee to consent to a limitation of claims within one year. This provision is amended to read the statute of limitations under North Dakota Law will apply.
12. Item 5 of the Disclosure Document, the Franchise Agreement, and the Area Development Agreement are amended to state that a fee deferral is applied until all initial obligations owed to franchisee under the franchise agreement or other documents have been fulfilled by the franchisor and the franchisee has commenced doing business pursuant to the franchise agreement.
13. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in

connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

The parties hereto have duly executed this North Dakota Addendum to the Franchise Agreement on the same date as that on which the Franchise Agreement was executed.

**FRANCHISOR:**

**HELLO SUGAR FRANCHISE, LLC**

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

Name: \_\_\_\_\_

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

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

**FRANCHISEE:**

\_\_\_\_\_

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

Name: \_\_\_\_\_

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

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

## **RHODE ISLAND ADDENDUM TO THE FRANCHISE AGREEMENT**

### **ALL FRANCHISE AGREEMENTS AND DEVELOPMENT AGREEMENTS EXECUTED IN AND OPERATIVE WITHIN THE STATE OF RHODE ISLAND ARE HEREBY AMENDED AS FOLLOWS:**

1. Pursuant to the Rhode Island Franchise Investment Act, the choice of jurisdiction and venue provisions of this Franchise Agreement shall be governed by Section 19-28.1-14 of the Act.
2. Pursuant to Section 19-28.1-15 of the Act, any condition, stipulation or provision in this Franchise Agreement requiring a franchisee to waive compliance with or relieving a person of a duty of liability imposed by or a right provided by this Act or a rule or order under this Act is void. An acknowledgment provision, disclaimer or integration clause or a provision having a similar effect in the Franchise Agreement does not negate or act to remove from judicial review any statement, misrepresentations or action that would violate this Act or a rule or order under this Act. This section shall not affect the settlement of disputes, claims or civil lawsuits arising or brought under this Act.
3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving and claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Agreement.**

**HELLO SUGAR FRANCHISE LLC**

**FRANCHISEE**

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

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

Name:\_\_\_\_\_

Name:\_\_\_\_\_

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

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

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

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



## RHODE ISLAND ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

For franchises and franchisees subject to the Rhode Island statutes and regulations, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Hello Sugar Franchise LLC's Franchise Disclosure Document.

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 and 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.

### Item 17:

1. §19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in the 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."
2. The Rhode Island Franchise Investment Act requires a franchisor to deliver a copy of a disclosure document reflecting all material changes together with a copy of all proposed agreements relating to the sale of the franchise at the earlier of: (i) the prospective franchisee's first personal business meeting with the franchisor which is held for the purpose of discussing the sale or possible sale of the franchise, or (ii) ten business days prior to the execution of an agreement or payment of any consideration relating to the franchise relationship.

## **SOUTH DAKOTA ADDENDUM TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

1. Neither Hello Sugar Franchise, LLC nor any person identified in Item 2 has any material litigation proceeding pending, or has during the 10-year immediately preceding the date of this Disclosure Document been a party to concluded material litigation proceedings.
2. Although the Franchise Agreement and Development Agreement require all arbitration proceedings to be held in Arizona, the site of any arbitration started pursuant to the Franchise Agreement or Development Agreement will be at a site mutually agreed upon by you and us.
3. We may not terminate the Franchise Agreement or Development Agreement for a breach, for failure to meet performance and quality standards and/or for failure to make royalty payments unless you receive thirty (30) days prior written notice from us and you are provided with an opportunity to cure the defaults. Covenants not to compete upon termination or expiration of the Franchise Agreement and Development Agreement are generally unenforceable in the State of South Dakota.
4. The laws of the State of South Dakota will govern matters pertaining to franchise registration, employment, covenants not to compete, and other matters of local concern; but as to contractual and all other matters, the Franchise Agreement and Development Agreement will be subject to the applications, construction, enforcement and interpretation under the governing law of Arizona.
5. Any provision in the Franchise Agreement or Development Agreement restricting jurisdiction or venue to a forum outside of the State of South Dakota or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the South Dakota Franchise Act.
6. Any provision that provides that the parties waive their right to claim punitive, exemplary, incidental, indirect, special or consequential damages may not be enforceable under South Dakota law.

## **VIRGINIA ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT**

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hello Sugar Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The follow statement is added to the FDD and Franchise Agreement:

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

Additional Disclosure: The following statements are added to Item 17:

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 ground for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **VIRGINIA ADDENDUM TO THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT**

The Franchise Agreement and Development Agreement are hereby amended by the addition of the following language:

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

**HELLO SUGAR FRANCHISE, LLC**

**FRANCHISEE**

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

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

Name: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

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

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

**WASHINGTON FRANCHISE AGREEMENT,  
DEVELOPMENT AGREEMENT, AND FRANCHISE DISCLOSURE DOCUMENT  
ADDENDUM**

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.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned does hereby acknowledge receipt of this addendum.

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.

Section 2.2.6 of the Franchise Agreement will not apply in Washington.

Section 3.1 of the Franchise Agreement will be modified in that the Franchise Agreement will not automatically renew unless the franchisee affirmatively elects to renew.

Section 11.3.1 of the Franchise Agreement will not apply in Washington.

Section 11.5 of the Franchise Agreement does not waive franchisee protections under RCW 19.100.180(2)(d). RCW 19.100.180(2)(d) states it is a violation of the Washington Franchise Investment Protection Act for any person to “sell, rent, or offer to sell to a franchisee any product or service for more than a fair and reasonable price.”

Section 15.5.7 of the Franchise Agreement is hereby amended to state that Franchisor will (i) provide Franchisee with 3 days’ written notice of its intention to manage the Franchised Business, (ii) manage the Franchised Business for one 90-day period, and (iii) assume liability in connection with its management of the Franchised Business.

The following language in Section 16.4 of the Franchise Agreement will not apply in Washington:

Franchisee and its Owners acknowledge that they have general skills and abilities, and other opportunities to use these skills. Therefore, enforcing these covenants will not deprive them of their personal goodwill or ability to earn a living.

The following language in Section 17.2 of the Franchise Agreement will not apply to Washington franchisees:

Franchisor will not be obligated for any damages directly or indirectly arising out of the operation of the Franchised Business or any other activities conducted under this Agreement.

The Franchisee’s obligations to indemnify, defend, reimburse, and hold harmless referenced in Section 17.4 of the Franchise Agreement do not extend to liabilities caused by the Indemnified Parties’ negligence, willful misconduct, strict liability, or fraud. Franchisee will not indemnify, defend, reimburse, and hold harmless the Indemnified Parties for claims, causes of action, lawsuits, demands, proceedings, investigations, and/or hearings related to the Indemnified Parties’ violation of state or federal franchise laws.

Section 19.5 of the Franchise Agreement and Section 11 in Exhibit 5 are hereby amended to clarify Franchisor can only recover its costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of the Franchise Agreement or Guaranty against Franchisee if it is the prevailing party.

Section 19.13 of the Franchise Agreement is hereby amended to state that it will not apply to Washington franchisees.

Section 19.15 of the Franchise Agreement is hereby amended to state that it will not apply to Washington franchisees.

Section 19.17 of the Franchise Agreement will not apply in Washington.

Section 3 in Exhibit 5 is hereby amended to state that the following language will not apply to Washington Franchisees:

You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living.

Section 15 of the Development Agreement and Section 7 in Exhibit 5 are hereby amended to state that the following language will not apply to Washington Franchisees:

If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

Section 9 in Exhibit 5 of the Franchise Agreement is hereby amended to state that it will not apply to Washington Franchisees.

Section 10 in Exhibit 5 of the Franchise Agreement and Section 20 in the Development Agreement are hereby amended to state that they do not apply to Washington Franchisees.

Section 13 in Exhibit 5 of the Franchise Agreement is hereby amended to state that it does not apply to Washington Franchisees.

Sections 14 and 15 in Exhibit 5 of the Franchise Agreement, Section 10 in Exhibit 9, and Sections 23 and 24 of the Development Agreement are hereby amended to state that they do not apply to Washington Franchisees.

The following language in Section 9 in Exhibit 6 will not apply to Washington Franchisees:

I agree to pay Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me.

Exhibit 8 to the Franchise Agreement will not apply in Washington.

Due to our financial condition, please be advised that we have secured a surety bond in the amount of \$100,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees. This financial assurance requirement was imposed by the Washington Department of Financial Institutions, Securities Division, due to Franchisor's financial status. A copy of the Surety Bond is on file with the Washington Department of Financial Institutions.

The undersigned does hereby acknowledge receipt of this addendum.

**FRANCHISOR**

**HELLO SUGAR FRANCHISE, LLC**

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

Name: \_\_\_\_\_  
[Name], [Title]

**FRANCHISEE**

**[NAME]**

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

Name: \_\_\_\_\_  
[Name], [Title]



## WASHINGTON FRANCHISE DISCLOSURE DOCUMENT ADDENDUM

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.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington. The undersigned does hereby acknowledge receipt of this addendum.

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.

Due to our financial condition, please be advised that we have secured a surety bond in the amount of \$100,000 to demonstrate our financial capability to fulfill our pre-opening obligations to franchisees. This financial assurance requirement was imposed by the Washington Department of Financial Institutions, Securities Division, due to Franchisor's financial status. A copy of the Surety Bond is on file with the Washington Department of Financial Institutions.

**WISCONSIN ADDENDUM TO THE FRANCHISE DISCLOSURE  
DOCUMENT NOTICE TO PROSPECTIVE FRANCHISEES IN THE  
STATE OF WISCONSIN**

IN THE STATE OF WISCONSIN CHAPTER 135 OF THE WISCONSIN FAIR DEALERSHIP LAW GOVERNS THIS AGREEMENT. YOU MAY WANT TO REVIEW THIS LAW.

For franchises and franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Hello Sugar Franchise LLC Wisconsin Franchise Disclosure Document.

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 and 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.

Item 17.

For Wisconsin Franchisees, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

**EXHIBIT H**  
**SAMPLE FORM OF GENERAL RELEASE**

**SAMPLE FORM OF GENERAL RELEASE**

This General Release ("Release") is made and entered into on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between Hello Sugar Franchise, LLC ("Franchisor") and \_\_\_\_\_ ("Franchisee").

**WITNESSETH:**

**WHEREAS**, Franchisor and Franchisee are parties to a HELLO SUGAR Franchise Agreement (the "Franchise Agreement") dated \_\_\_\_\_, 20\_\_, granting Franchisee the right to operate a franchised business utilizing Franchisor's then-current (a) proprietary marks and (b) system of operations, at the following location: \_\_\_\_\_.

**NOW THEREFORE**, in consideration of the mutual covenants and conditions contained in this Release, and other good and valuable consideration, receipt of which is hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

Franchisee, for itself and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasors"), irrevocably and absolutely releases and forever discharges Franchisor and its successors, predecessors, assigns, beneficiaries, executors, trustees, agents, representatives, employees, officers, directors, shareholders, partners, members, subsidiaries and affiliates (jointly and severally, the "Releasees"), of and from all claims, obligations, actions or causes of action (however denominated), whether in law or in equity, and whether known or unknown, present or contingent, for any injury, damage, or loss whatsoever arising from any acts or occurrences occurring as of or prior to the date of this Release relating to the Franchise Agreement, the business operated under the Franchise Agreement, and/or any other agreement between any of the Releasees and any of the Releasors. The Releasors, and each of them, also covenant not to sue or otherwise bring a claim against any of the Releasees regarding any of the claims being released under this Release. Releasors hereby acknowledge that this release is intended to be a full and unconditional general release, as that phrase is used and commonly interpreted, extending to all claims of any nature, whether or not known, expected or anticipated to exist.

Each of the Releasors expressly acknowledges that they are familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing a release, which if known by him or her must have materially affected his or her settlement with the debtor.**

Each of the Releasors hereby specifically and expressly waives all rights that it may have under Section 1542 of the California Civil Code or any similar provision of law in any other jurisdiction. This Release shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder. Releasors acknowledge and agree that they have read the terms of this Release, they fully understand and voluntarily accept the terms, and that they have entered into this Release voluntarily and without any coercion.

**[SIGNATURES ON FOLLOWING PAGE]**

**IN WITNESS WHEREOF**, the parties hereto have executed this Release as of the date first above written.

**FRANCHISOR**

**FRANCHISEE**

**HELLO SUGAR FRANCHISE LLC**

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

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

Name: \_\_\_\_\_

Name:\_\_\_\_\_

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

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

**EXHIBIT I**  
**STATE EFFECTIVE DATES**

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

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

<b>STATE</b>	<b>EFFECTIVE DATE</b>
California	Pending Registration
Hawaii	Not Registered
Illinois	Pending Registration
Indiana	Pending Registration
Maryland	Pending Registration
Michigan	October 19, 2023
Minnesota	Pending Registration
New York	Pending Registration
North Dakota	Pending Registration
Rhode Island	Pending Registration
South Dakota	Pending Registration
Virginia	Pending Registration
Washington	Pending Registration
Wisconsin	Pending Registration

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**

**RECEIPT**

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

If Hello Sugar Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

If Hello Sugar Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and to your state authority listed on Exhibit A.

The name and principal business address and telephone number of each franchise seller offering the franchise is:

Hello Sugar Franchise, LLC Brigham Dallas, Ana Ferlan, and Weston Coles 151 N. Centennial Way Mesa, AZ 85201 602-737-0406	FS Devco 1 LLC Bobby Brennan and Allie Galvan 3825 Edwards Road, Suite 103 Cincinnati, OH 45209 (314) 974-2145	<div></div> <div></div> <div></div> <div></div>	<div></div> <div></div> <div></div> <div></div>
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Issuance Date: May 30, 2024, as amended August 30, 2024.

I received a Disclosure Document dated May 30, 2024, as amended August 30, 2024, that included the following Exhibits:

EXHIBIT A: List of State Franchise Administrators and Agents for Service of Process  
EXHIBIT B: Franchise Agreement  
EXHIBIT C: Area Development Agreement  
EXHIBIT D: Financial Statements of Hello Sugar Franchise, LLC  
EXHIBIT E: Operations Manual Table of Contents  
EXHIBIT F: Outlets as of the date of this Disclosure Document  
EXHIBIT G: State Addenda  
EXHIBIT H: Sample Form of General Release  
EXHIBIT I: State Effective Dates  
EXHIBIT J: Receipt

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

\_\_\_\_\_  
(Signature of recipient)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_

\_\_\_\_\_

Please return signed receipt to:

Hello Sugar Franchise, LLC,  
151 N. Centennial Way  
Mesa, AZ 85201



## RECEIPT

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EXHIBIT J: Receipt

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

\_\_\_\_\_  
(Signature of recipient)

Print Name: \_\_\_\_\_

Print Address: \_\_\_\_\_  
\_\_\_\_\_

**KEEP FOR YOUR RECORDS**