

FRANCHISE DISCLOSURE DOCUMENT



TOWNHOUSE FRANCHISING, LLC
(a Delaware limited liability company)
611 South Dupont Highway, Suite 102
Dover, Delaware 19901
(302) 546-5188
franchise@townhousebeauty.com
www.townhousebeauty.com

The franchise being offered is a retail nail salon business utilizing the “Townhouse” name and specializing in offering clients a chic yet welcoming nail care experience, blending cutting edge technology with seamless service, and a commitment to hygiene, professionalism, and flawless results, along with related products and services.

The total investment necessary to begin operation of a Townhouse® franchise is \$604,100 to \$759,700. This includes \$50,000 that must be paid to the franchisor or its affiliates (which reflects the initial franchise fee and marketing launch fee).

The estimated initial investment necessary to develop two or more Salons under an Area Development Agreement depends on the number of franchises that we grant you the right to open. The total investment necessary to begin operation of your first Townhouse® franchise under an Area Development Agreement authorizing development of up to 15 Salons is ~~\$689,100~~ \$689,100 to \$844,700, which includes a development fee, initial franchise fee, and marketing launch fee totaling \$135,000 that must be paid to the franchisor or its affiliates. If we grant you an Area Development Agreement for 16 or more Salons your initial investment to begin operations of the first franchised Salon will be \$704,100 to \$859,700, which includes a development fee, initial franchise fee, and marketing launch fee totaling \$150,000 that must be paid to the franchisor or its affiliates.

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 this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jessica Bouscarle, Townhouse Franchising, LLC, at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 or franchise@townhousebeauty.com.

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

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

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

Issuance Date: January 28, 2026

How to Use This Franchise Disclosure Document

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

| QUESTION | WHERE TO FIND INFORMATION |
|--|---|
| How much can I earn? | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Exhibits D1 and D2. |
| How much will I need to invest? | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor’s direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use. |
| Does the franchisor have the financial ability to provide support to my business? | Item 21 or Exhibit E includes financial statements. Review these statements carefully. |
| Is the franchise system stable, growing or shrinking? | Item 20 summarizes the recent history of the number of company-owned and franchised outlets. |
| Will my business be the only Townhouse® Franchised Business in my area? | Item 12 and the “territory” provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you. |
| Does the franchisor have a troubled legal history? | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings. |
| What’s it like to be a Townhouse franchisee? | Exhibits D1 and D2 list current and former franchisees. You can contact them to ask about their experiences. |
| What else should I know? | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents. |

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

When your franchise ends. The franchise agreement may prohibit you from operating a similar business after your franchise agreement 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 F.

Your state also may have laws that require special disclosures or amendments to 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 and area development agreement require you to resolve disputes with the franchisor by arbitration and/or litigation only in the state or judicial district in which the franchisor has its principal place of business at the time the action is commenced. Out-of-state arbitration or litigation may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate or litigate with the franchisor in the state in which it has its principal place of business than in your own state.

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

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

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

- (a) A prohibition on the right of a 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 before 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 franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

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

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

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

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

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

THE FACT 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.

If the franchisee has any questions regarding this notice, those questions should be directed to:

State of Michigan Department of Attorney General
Consumer Protection Division, Franchise Unit
G. Mennen Williams Building, 7th Floor
525 West Ottawa Street
Lansing, Michigan 48933
Telephone: (517) 335-7567

TOWNHOUSE FRANCHISING, LLC
Franchise Disclosure Document
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ITEM 1. THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor

The Franchisor is Townhouse Franchising, LLC. To simplify the language in this Franchise Disclosure Document (“Disclosure Document”), “we,” “us,” “our,” “Franchisor,” or “Townhouse” means Townhouse Franchising, LLC, which is the franchisor that is offering the franchises. “You,” “your,” or “Franchisee” means the person or legal entity (including an individual, corporation, partnership, limited liability company or other legal entity, and its owners, officers, and directors) buying the franchise. With respect to Area Development Agreements (discussed below), the person or entity who is acquiring the right to multiple franchises is the “Developer” and depending on the context will also be referred to as “you” or “your.” If you are a legal entity, your direct and indirect owners will have to guarantee your obligations and be bound by the provisions of the franchise agreement and other agreements as described in this Disclosure Document. References to “Townhouse Group” include parent companies, wholly owned subsidiaries and affiliates across the wider group.

We are a limited liability company formed in the state of Delaware on April 29, 2025. Our principal business address is 611 South Dupont Highway Suite 102, Dover, Delaware 19901 conduct business under our company name and no others.

Our agents for service of process are listed on Exhibit F to this Disclosure Document.

Our Business Activities

Franchise Program. We sell franchises to own and operate Townhouse® branded nail salons (“Salons”). The Townhouse franchise system is a distinctive and comprehensive system offering retail nail salon businesses known for bespoke salon design, offering clients a chic yet welcoming nail care experience, blending cutting edge technology with seamless service, and a commitment to hygiene, professionalism, and exceptional services, provided with proprietary business formats, methods, procedures, standards, and specifications, along with related products and services (the “Franchise System”).

We will enter into the franchise agreement attached as Exhibit B (the “Franchise Agreement”), which will grant to you a license to use the service mark “Townhouse®” for the purpose of owning and operating a Salon.

In addition, we intend to grant development rights to franchisees that commit to develop, own and operate more than one Salon. Accordingly, we will also offer you the right to enter into an Area Development Agreement (the “Area Development Agreement”), under which you will acquire rights (and commit) to open a specified number of franchises according to a specified schedule (the “Development Schedule”), each under a separate Franchise Agreement, within a specifically described geographic territory (the “Development Area”). The form of Area Development Agreement you would sign is attached as Exhibit C to this Disclosure Document. For each Salon you develop, you must sign our then-current form of Franchise Agreement, which may be different than the form we were using when you signed the Area Development Agreement.

We currently do not directly own or operate any Salons. We began offering these Townhouse Salon franchises in January 2026. We have not offered franchises in any other line of business or conducted any other business.

Our Parents, Predecessors and Affiliates

Parents. Our parent is Townhouse Holdings US LLC, (“Townhouse US”). The principal business address of Townhouse US is 8 S. The Green Steb, Dover, DE 19901. Townhouse US’s parent, and our ultimate parent is Townhouse Group Limited (“Townhouse UK”), who principal business address is Floor 6, Berkshire House, 168-173 High Holborn, London, England, WC1V 7AA. Subsidiaries of Townhouse UK operate Townhouse Salons in England.

Affiliates. We have several affiliates in the US and the United Kingdom.

In the US, our affiliate Townhouse Holdings US LLC owns and operates 2 Townhouse Salons in California (one since May 2024, and one since July 2025) and 2 Townhouse Salons in New York (one since August 2025, and one since September 2025).

In the UK, our affiliates own and operate 33 Townhouse Salons in London, other major cities, and other locations.

In the UK, our affiliate Townhouse Franchising Limited (“UK Franchisor”), offers franchises for Townhouse Salons in the UK and in other countries. The UK Franchisor’s principal business address is Floor 6, Berkshire House, 168-173 High Holborn, London, England, WC1V 7AA. There are currently 6 franchised salons open in the UK.

Other than as described above, none of our parent companies, nor any affiliates required to be disclosed in this Item 1 directly offers franchises in any line of business or otherwise conducts business of the type being offered to you in this Disclosure Document.

Description of the Franchised Business

We grant to each franchisee a license to use the “Townhouse®” service mark, together with other trademarks, service marks, and commercial symbols (collectively, the “Marks”), for use in identifying and operating the Salon. As a franchisee, you will sell and provide various forms of premium nail care treatments, hand and foot treatments, private and group events, nailcare and beauty products, ancillary items such as beverages and gift cards, and related products and services that may be offered in the future. You will operate the Salon according to our mandatory specifications, standards, operating procedures, and rules (“System Standards”). The distinguishing characteristics of the Franchise System include the business formats, business system, methods, procedures, signs (and together with other fixtures, furniture, equipment, and required computer hardware and software (the “Operating Assets”)), designs, layouts, standards, specifications, the Operations Manual (as defined in Item 11) and Marks, all of which we may improve, further develop, or otherwise modify from time to time. Another key element of our System Standards is the implementation of technology in managing the Salons, from proprietary computer and software programs to no-cash all-digital payments (unless prohibited by local law). Further, we stress that as part of our System Standards, the customer experience, and excellent customer service, is critical to a premium nail care and salon business. Accordingly, we have implemented, and all Salons must implement, certain customer feedback and review services and systems that produce customer ratings. As described in the Franchise Agreement, and in the Operations Manual, we have established, and you must satisfy our minimum performance standards which are based on minimum customer ratings.

As noted above, we expect to grant multiple unit development rights, under the Area Development Agreement, to most if not all of our franchisees. As such, the Area Development Agreement will include

many obligations and standards that are applicable to, and will impact, the individual Salons, and therefore the Franchisee. For example, as discussed in this Disclosure Document, the process for locating a particular site for each Salon, including your site selection, and our approval of the site (also referred to as the “Premises”), is governed by the Area Development Agreement. Also, each developer and franchisee must have a “Designated Representative” who is responsible for managing the operations of all franchised Salons under the Development Agreement. Certain requirements concerning the Designated Representative are reflected in the Area Development Agreement, and others are in the Franchise Agreement. Even if you and we were to agree to grant you the rights to own and operate only one Townhouse Salon, you and we would sign an Area Development Agreement (for one Salon in the Development Area), and one Franchise Agreement.

Townhouse Salons are typically located in shopping or entertainment areas. Salons typically operate in premises ranging from 700 to 1,400 square feet.

The Market and Competition

Salons cater primarily to affluent women and men seeking a premium nail care experience. While there are few major scaled brands operating nail salon businesses compared to other markets such as quick service restaurants, the market is competitive. Salons offering nail services generally compete on the basis of factors such as price, quality and variety of services and products, salon appearance and salon location. You must expect to compete with businesses specializing in nail services as well as other salons and beauty businesses that offer nail services as one component of a larger service menu. Additionally, you may find that there is competition for attractive commercial real estate sites suitable for salon locations and competition for employees and management personnel.

Licenses, Permits, and Industry Regulations

A number of states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Salon, including but not limited to those that: (1) establish licensing and certification requirements for businesses in general, (2) establish general standards, specifications and requirements for the construction, design and maintenance of the Salon location; (3) establish licensing and certification requirements for nail artists (such as requirements that nail artists be certified health professionals, licensed as either an esthetician or cosmetologist, and complete state-approved training programs), and your Salon Business, including appearance enhancement or cosmetology enhancement licenses, (4) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirement for salons; (5) set standards pertaining to employee health and safety, (6) set standards and requirements for fire safety and general emergency preparedness, and (7) regulate the proper use, storage and disposal of waste and other hazardous materials. You are solely responsible for investigating the license/permit requirements in your state.

You must also comply with all other local, state, and federal laws that apply to your operations, including but not limited to health, sanitation, smoking, EPA, EEOC, OSHA, the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”), discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people and may affect your building construction, site design, entrance ramps, doors, seating, bathrooms, drinking facilities, etc. You must also obtain the required real estate permits, licenses, and operational licenses for your business and employees and nail artists.

Where relevant, you must comply with all payment card infrastructure (“PCI”) industry and government security standards and requirements designed to protect cardholder data. PCI standards apply to both

technical and operational aspects of credit card and other payment card transactions and apply to all organizations which store, process or transmit cardholder data.

We recommend that you consult with legal counsel or other professional advisors to help you investigate and understand all laws applicable to your business before you purchase a franchise. It is your responsibility to thoroughly investigate which regulations and/or licensing requirements are imposed by your state and local government authorities.

ITEM 2. BUSINESS EXPERIENCE

Jonathan Millet, Chief Executive Officer

Mr. Millet has been our Chief Executive Officer since our inception and has been Chief Executive Officer of Townhouse UK since February 2021.

Juanita Huber Millet, Founder and Creative Director

Mrs. Huber-Millet is Founder of the Townhouse Group, has been our Founder and Creative Director since our inception, and has been Founder and Creative Director of Townhouse UK since April 2017.

Adam Davies, Chief Technology Officer and Chief Strategy Officer

Mr. Davies has been our Chief Technology Officer and Chief Strategy Officer since our inception. He has been Chief Technology Officer of Townhouse UK since January 2020 and has also been its Chief Strategy Officer since June 2024.

Glenn Edwards, Chief Operating Officer

Mr. Edwards has been our Chief Operating Officer since our inception and has held the same position at Townhouse UK since November 2023. Before joining Townhouse, Mr. Edwards was CEO for Leon Restaurants Ltd., London, England, an international hospitality business that had franchised into multiple global markets, from March 2011 to November 2023.

Jessica Bouscarle, Head of Business Development

Ms. Bouscarle has been our Head of Franchise Development since our inception and has held the same position at Townhouse UK since January 2025. Before joining Townhouse, Ms. Bouscarle worked as Head of Franchising at Black Sheep Coffee, London, England, from November 2019 to January 2025 where she led the brand to franchise in Europe, the GCC and USA.

ITEM 3. LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

Initial Franchise Fee. When you sign a Franchise Agreement to develop a Salon, you must pay us an initial franchise fee (the “Initial Franchise Fee”). The Initial Franchise Fee is \$40,000. You must pay the Initial Franchise Fee as a lump sum by wire transfer. The Initial Franchise Fee is fully earned by us when paid by you, and is not refundable.

Development Fee. If you enter into a Multi-Unit Development Agreement with us for the development of two or more Salons, you will be required to pay us a development fee (the “Development Fee”). The Development Fee is \$85,000 if you commit to develop up to 15 Salons, and is \$100,000 if you commit to develop 16 or more Salons. The Development Fee is due in a lump sum when you sign your Area Development Agreement, is fully earned by us upon your execution of the Area Development Agreement, and is not refundable.

You will be required to enter into our then-current form of Franchise Agreement for each Salon you wish to develop under your Area Development Agreement, and you will be required to pay the Initial Franchise Fee at the time you execute each of these Franchise Agreements.

Marketing Launch Fee. You will pay us a Marketing Launch Fee of \$10,000 for each of the first two Salons you open no later than ninety (90) days before the expected or scheduled opening of the Salon. The Marketing Launch Fee will be used for grand opening advertising, marketing and promotional programs in conjunction with the opening of the Salon, pursuant to a marketing launch plan developed with and approved in writing by us.

Except as otherwise noted, the initial fees described above are not refundable under any circumstances.

ITEM 6. OTHER FEES

| Type of Fee* | Amount | Due Date | Remarks |
|-----------------------------------|--|---|--|
| Service Fee | 7% of Net Revenue | 10 th day of each month in respect of prior month’s Net Revenue | See Note 1 |
| Brand Marketing Fund Contribution | 2% of Net Revenue (subject to our right to increase) | 10 th day of each calendar month in respect of prior month’s Net Revenue | See Note 2 |
| Salon Recruitment | \$1,500 per person recruited by us for your Salon | Upon receipt of statement | Payable for recruitment beyond the specified initial recruitment we provide free of charge you’re your first two Salons |
| Salon Team Training Fee | Then-current fee, currently \$400 per trainer per day or part thereof, plus costs and expenses | Upon receipt of statement | Payable for training of staff at your Salon |
| New Salon Opening On-Site Support | \$400 per person per day or part thereof plus travel and accommodation expenses | Upon receipt of statement | Payable for support we provide in opening your Salon if required. We will provide a specified level of New Salon Opening On-Site Support free of charge (other than travel |

| Type of Fee* | Amount | Due Date | Remarks |
|--|---|---|---|
| | | | and accommodation expenses which must be reimbursed) in respect of your first two Salons |
| Booking Platform Fee (3 rd Party Reimbursement) | \$100 per month | 10 th day of each calendar month | We may charge you a monthly or other fee for the Booking Platform software and services that we procure on your behalf from a third party. You will be responsible for reimbursing the amount charged to us including any future uplifts in price, not to exceed the annual percentage increase in the Consumer Price Index or similar benchmark. |
| User & IT training | \$3,000: 2 days user training, 3 days IT training | Upon receipt of statement | Payable for training beyond the specified initial Designated Representative Training Program we provide free of charge |
| IT Support Charges | \$50 per hour | Upon receipt of statement | Payable for support beyond the specified initial Designated Representative Training Program we provide free of charge |
| Supply Chain Support Charge | Cost plus 5% handling fee and delivery at cost | Upon receipt of statement | Payable for items purchased via Townhouse including mandatory purchases and optional purchases |
| Graphic Design Charges | \$50 per hour | Upon receipt of statement | Payable for services you request |
| Late Payment Charge | \$100 | Upon receipt of statement | Payable for failure to pay us on time |
| Interest on Late Payments | 1.5% per month or highest commercial rate | Upon receipt of statement | Payable for failure to pay us on time |
| Non-Compliance Fee | Up to \$1,000 per occurrence and up to \$1,000 per week | Upon demand | Payable in the event you are in non-compliance with our System Standards and remain in default |
| Costs and Attorneys' Fees | Varies | Upon demand | Reimbursement to us for |

| Type of Fee* | Amount | Due Date | Remarks |
|--|--|---|---|
| | | | all of the costs and expenses that we incur due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with the Franchise Agreement. |
| Step-in Reimbursement Fee | Our then-current fee | Upon receipt of statement | See Note 3 |
| Replacement or Remedial Designated Representative Training | Our then-current fee, currently \$2,500 | Before replacement or remedial training for a Designated Representative | See Note 4 |
| Annual Conference Registration Fees | Then-current annual conference registration fees for at least one attendee (currently \$500 per person) | Before annual conference | We have the right to charge a non-attendance fee in an amount we designate if you do not attend. |
| Successor Franchise Fee | 50% of the then-current Initial Franchise Fee | Upon renewal | |
| Transfer Fee – Franchise Agreement | 50% of the then-current Initial Franchise Fee; reduced to \$2,500 for select ownership interest transfers (see note) | Upon signing the consent to transfer | |
| Transfer Fee – Area Development Agreement | \$20,000 | Upon signing the consent to transfer | |
| Audit Costs | Costs of the examination | Upon demand | Payable only if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Sales exceeding 5% of the amount that you actually reported to us for the period examined |
| Indemnification | Varies | Upon demand | You will indemnify us against any costs arising |

| Type of Fee* | Amount | Due Date | Remarks |
|--------------------------------|--|------------------------------|---|
| | | | out of the Franchised Business's operation, the business you conduct under the Franchise Agreement, or your breach of the Franchise Agreement |
| Liquidated Damages | Two times the Service Fee payments due from you during the 12 full months before termination subject to a minimum of \$250,000 if you have not opened a minimum of two Salons before termination | Immediately upon termination | Payable in the event you terminate the Franchise Agreement without cause |
| Relocation Fee | 50% of the Development Fee | Upon demand | Payable in the event we agree to transfer your Area Development Agreement to a new Development Area |
| Public or Private Offering Fee | \$20,000 | Upon demand | Payable for our costs of review of offering materials in the event you publicly or privately offer stock or ownership interests |

* Except as otherwise noted, all fees are uniformly imposed on all franchisees and collected by, and payable to, us (or our designated affiliate). Any fees paid to us are non-refundable unless otherwise noted. Our Rate Card sets out the standard per diem or hourly rates for our personnel who provide training and other services. Your costs for certain items listed above may differ depending on the suppliers used, local costs, and other factors. We will auto-debit your bank account (known as Electronic Depository Transfer Account or "EDTA") for all fees you are required to pay to us under the Franchise Agreement. Your EDTA will remain in effect throughout the term of the Franchise Agreement and any successor franchise terms. You must ensure that funds are available in your bank account to cover our withdrawals. Some banks charge fees for us to EDTA your account; you must pay those fees. If you fail to comply with our payment instructions, we reserve the right to exclude you from participating in certain programs. In addition, your failure to comply with our payment instructions will be considered a default under the Franchise Agreement.

NOTES:

1. **Service Fee.** You must pay us a monthly Service Fee on the 10th day of each month.

"Net Revenue" means all gross sums received by Franchisee, including, but not limited to, the sale of treatments, event revenue, drinks and ancillaries, cancellation and no show fees collected from customers, the sale value of gift cards which are to be recorded at the point of sale, the sale of memberships, treatment series and other similar offerings (which are to be recorded as revenue as funds are received) from customers in the conduct of Franchisee's Business at the Salon(s) less bona fide discounts, tips and gratuities payable directly to staff, sales tax, including

any assumed Net Revenue received in replacement of actual Net Revenue pursuant to any loss of profits or business interruption insurance claims in the event of a claim being made under such a policy or where awarded pursuant to damages or settlement. Revenues shall not be reduced by credit card commissions, delivery charges, or other charges incurred by Franchisee. For the avoidance of doubt, Net Revenue shall include the full value of all items sold by Franchisee but shall not include the value of retail products sold in store nor treatments that are delivered via loyalty points, gift card redemptions, membership and treatment series redemptions. With regard to loyalty points, gift card redemptions, membership and treatment series redemptions and similar devices, there is a true-up mechanism relating to these and similar items as detailed in the Operations Manual which may result in additional Service Fee being levied or refunded.

2. **Brand Marketing Fund Contribution.** You must make contributions to an advertising and marketing fund (the “Brand Marketing Fund”) of 2% of the Net Revenue of your Salon, which we will spend on preparing marketing, recruiting, advertising, and promotional materials and programs that will be used nationally, regionally, multi-regionally, or locally. This amount, which is paid to us, is in addition to your own expenses for the Local Marketing Spend Amount described below.

3. **Step-in Reimbursement Fee.** If you cannot provide a suitable replacement for the Designated Representative within a period of ninety (90) days from the date that your Designated Representative became unable to comply with the requirements of the Franchise Agreement Townhouse will have the right to take over the operation of your Business until such time as a new Designated Representative acceptable to Townhouse is appointed. During any such management period, Townhouse will be entitled to charge its then-current Step-in Reimbursement Fee calculated on the manager’s annual salary (plus benefits) plus their travel and subsistence expenses.

4. **Replacement or Remedial Designated Representative Training Replacement.** Any successor or replacement Designated Representative may be required to complete the Training Program no more than 90 days after being appointed (see Item 11). Additionally, if you, your Designated Representative, your Key Staff, or any other personnel required by us, fail to satisfactorily complete the Designated Representative Training Program, then we reserve the right to require such individual to attend remedial training and you may be required to pay us our then-current training fee for such remedial training.

ITEM 7. ESTIMATED INITIAL INVESTMENT

**YOUR ESTIMATED INITIAL INVESTMENT
(FRANCHISE AGREEMENT)**

| Type of Expenditure | Low Amount | High Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|-----------------------|------------|-------------|-------------------|----------------------------------|-------------------------------|
| Initial Franchise Fee | \$40,000 | \$40,000 | Lump sum | Upon signing Franchise Agreement | Us |

| Type of Expenditure | Low Amount | High Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|---|------------|-------------|-------------------|--------------------------------------|--|
| Marketing Launch Fee | \$10,000 | \$10,000 | Lump sum | No later than 90 days before opening | Us |
| Real Property, Utility, Security, and Other Deposits ¹ | \$5,000 | \$15,000 | As arranged | As incurred | Third-party suppliers & landlord |
| Leasehold, Contractor Improvements; Construction Costs and Equipment ² | \$415,000 | \$485,000 | As arranged | As arranged | Landlord, approved suppliers and contractors |
| Computer and Audio Visual Equipment ³ | \$13,500 | \$13,500 | As arranged | As incurred | Approved suppliers |
| Architects & Engineers Fees ⁴ | \$20,000 | \$40,000 | As arranged | As incurred | Approved third-party professionals |
| Start-up Supplies and Inventory ⁵ | \$25,000 | \$35,000 | As arranged | As incurred | Approved suppliers |
| Business Licenses and Permits ⁶ | \$15,000 | \$25,000 | As arranged | As incurred | Governmental agencies |
| Insurance ⁷ | \$600 | \$1,200 | As arranged | As incurred | Insurance agency |
| Professional Fees ⁸ | \$15,000 | \$20,000 | As arranged | As arranged | Third-party professionals (accountants, legal, etc.) |

| Type of Expenditure | Low Amount | High Amount | Method of Payment | When Due | To Whom Payment is to be Made |
|--|------------------|------------------|-------------------|-----------------------------|--|
| Additional Funds (three months) ⁹ | \$45,000 | \$75,000 | As arranged | First 3 months of operation | Landlord, utilities providers, and other suppliers |
| TOTAL ESTIMATED INITIAL INVESTMENT¹⁰ | \$604,100 | \$759,700 | | | |

NOTES:

As described above, we expect that each franchisee will sign an Area Development Agreement for multiple Salon development, and a Franchise Agreement for each Salon. This table below includes the estimated initial investment for your first Salon. Following this is a separate table with the estimated initial investment for an Area Development Agreement.

1. **Real Property, Utility, Security, and Other Deposits.** If you do not own retail space adequate to open your Townhouse® location, you must lease or rent the retail space from a third party. Salons are typically located in shopping or entertainment areas and typically require approximately 700 to 1,400 square feet. Your landlord may require security deposit, often in the form of a letter of credit which is typically calculated based on the rent and may range from 1 to 6 or more months. No amount for security deposit is included above. Some utility companies also may require a security deposit before commencing services. No amount for utility company security deposit is included above.
2. **Leasehold, Contractor Improvements; Construction Costs.** The Salon must be built according to our brand standards and specifications. The amount of your leasehold improvements can vary substantially based on existing conditions, size, design, the site's previous use, labor costs (which may further include both union and non-union labor), materials, the state, city or area in which your Salon is located, and the nature and extent of improvements required. These amounts do not reflect costs for the purchase of unimproved land and construction of a free-standing location, which would also result in a significantly greater initial investment. You should carefully investigate all of these costs in the area where you wish to establish your Salon. The leasehold improvements estimate is based on the cost of adapting our prototypical architectural and design plans to a facility containing approximately 700 to 1,400 square feet. Typically, costs are higher in large metropolitan areas or if you choose premises with square footage in excess of 1,400 square feet. Your construction costs may be higher depending on all of the factors described in this note. Lastly, this estimated range does not include building permits or plan review fees, which will vary depending on where your Salon is located.
3. **Computer and Audio Visual Equipment.** You must purchase or lease computer and audio visual equipment that meets our specifications. All equipment must be purchased from us or from approved suppliers. We may revise specifications and approved suppliers. You must obtain our written approval before purchasing or leasing any alternative equipment.
4. **Architect, Engineer, Drawings.** You must use a licensed or approved architect, engineering, and design firm. Estimated fees do not include services beyond the basic scope of work or items such as structural engineering.

5. **Start-up Supplies and Inventory.** You must purchase start-up supplies and opening inventory that meet our specifications. Supplies and inventory must be purchased from us or from suppliers that we approve. Required items include nail care products, disposables, tools, retail products, and other consumable items necessary to operate the Franchised Business in accordance with our standards.
6. **Business Licenses and Permits.** ~~he~~The cost includes the licenses and permits required to operate a Salon in your location. The license and permit requirements are specific to the state and city/town in which your Salon is located. Certain states may require that you file and post a bond, the estimated cost of which is not included in the table.
7. **Insurance.** You must obtain insurance coverage from our approved suppliers with the limits required by us as described in Item 8 of this Disclosure Document. Your landlord may require additional insurance.
8. **Professional Fees.** These figures represent the estimated cost of hiring an attorney to assist you in evaluating the franchise opportunity, negotiating your lease, and in forming a business entity, and accountants' cost of setting up a new business.
9. **Additional Funds (first three months of operations).** The range of estimated costs represents your estimated initial start-up expenses (excluding amounts which are separately identified in the table). These estimated costs include payroll costs (excluding a draw or salary for you or your manager if you are not the manager), lease payments, local advertising expenditures, monthly technology fees, and other operating expenses; however, this is only an estimate and you may need additional working capital if your sales are low or if you incur higher operating costs. The three-month period is not intended, and should not be interpreted, to identify a point at which your Salon will break even. This estimated amount may vary based on a number of factors, including the extent to which you follow our methods and procedures, local economic conditions, the local market for your services and products, competition, sales levels achieved during the initial three-month period, local wage rates (and the prevailing minimum wage rate in your jurisdiction), the extent of your actual participation in the Salon, your business acumen, your partners or shareholders (if applicable), and any other persons involved in the Salon.
10. **Total Estimated Initial Investment.** You should review these figures carefully with your professional advisors, including financial and legal advisors, before making any decision to purchase a Salon. The amounts above are estimates only and may vary significantly based on your geographic location. You should consider the costs of each of the items described in this Disclosure Document in your geographic location. Fees paid to us are not refundable under any circumstances, unless otherwise stated in the Franchise Agreement. Fees or costs due to any other entity are subject to the terms set under their agreements. Inflation, discretionary expenditures, fluctuating interest rates, tariffs, freight and other shipping expenses, and other factors, such as how long it takes for you to secure an approved site for your Salon and the size of your particular Salon, may affect your actual costs to open your Salon. You are responsible for all costs and variances from the estimated costs in this Item 7, or variances from any other estimates we may provide during any phase of the development of your Salon. The availability and terms of financing depend on the availability of financing generally, your creditworthiness, your available collateral, and lending policies of financial institutions. The estimate does not include any finance charges, interest, or debt service obligation and does not include any state and local taxes and any shipping expenses. We do not currently finance any portion of the initial investment.

YOUR ESTIMATED INITIAL INVESTMENT

| Type of Expenditure ¹ | (AREA DEVELOPMENT AGREEMENT) Amount | | Method of Payment | When Due | To Whom Payment is to be Made |
|---|--|------------------|-------------------------------|---|-------------------------------|
| | Low | High | | | |
| Development Fee ² | \$85,000 | \$100,000 | Lump sum | Upon signing Area Development Agreement | Us |
| Initial Investment to Open Initial Salon ³ | \$604,100 | \$759,700 | See first Item 7 table above. | | |
| TOTAL ESTIMATED INITIAL INVESTMENT | \$689,100 | \$859,700 | | | |

NOTES:

1. **General.** All amounts payable to us are nonrefundable, unless otherwise noted.
2. **Development Fee.** The Development Fee is \$85,000 if you commit to ~~develop~~developing up to 15 Salons; and is \$100,000 if you commit to ~~develop~~developing 16 or more Salons.
3. **Initial Investment for Initial Franchised Salon.** This figure represents the total estimated initial investment required to open and commence operating the first Salon you agree to develop under your Area Development Agreement. You must execute our current form of Franchise Agreement for the first Salon we grant you the right to open within the Development Area concurrently with the Area Development Agreement. The range includes all of the items outlined in the first Item 7 table. It does not include any of the costs you will incur in developing, opening and initially operating any additional Salons that you are required to develop after your initial Salon under your Area Development Agreement.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Product Specifications and Designated/Approved Suppliers

You must purchase or lease the brands, types, and models of fixtures, furniture, equipment, components of the Computer System, and signs that we approve for Salons as meeting our specifications and standards for quality, design, appearance, function, and performance (“Operating Assets”). You must comply with all of our System Standards for the purchase of all Operating Assets, and other products used or offered for sale at your Salon.

We also have the right to designate specific suppliers for the products and services used and sold in Salons. If we have approved or designated suppliers for any such item, you must obtain those items exclusively from the suppliers we have approved or designated. We may designate ourselves, our affiliates or a third party as an approved or designated supplier, or as the sole approved or designated supplier of any item. There are currently no purchasing or distribution cooperatives for the Franchise

System, however certain of these items such as the Booking System, will be purchased by us via a master contract and will be rebilled to you at cost.

You must acquire all other Operating Assets in accordance with our System Standards for suppliers, including purchasing such Operating Assets from suppliers we have approved in advance. We can modify, amend and change our System Standards, the Operations Manual or any other standards and specifications at any time, and will notify you of any such modifications. Notifications may be made by various means, including written or electronic correspondence, verbal or telephone communication, amendments or updates to the Operations Manual, bulletins and similar means of communication.

None of our officers owns an interest in any of our designated or approved suppliers and neither we nor our affiliates are currently a designated or approved supplier of any products or services, other than in relation to Townhouse branded products which are developed and supplied by us directly.

We estimate that the products and services that you obtain from our approved and designated suppliers and according to our specifications will represent 75% to 80% of all products and services you will purchase to establish your Salon, and 15% to 25% of all products and services you will purchase during operation of your Salon.

Alternative Products and Suppliers

If you wish to use any item or service that we have not yet evaluated, or for items that we require you to purchase from designated or approved suppliers, if you wish to purchase or lease any such item from a supplier that we have not yet approved, you must submit a written request for approval to us. You must not purchase or lease any such item unless the supplier has been approved in writing by us. We will typically provide a response to a written request within 30 days. We are not required to approve any particular supplier. We may condition our approval of a supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, and standards of service. We may require you to pay us a fee to compensate us for the time and resources we spend in evaluating your proposed supplier, which may vary depending on our administrative expenses in evaluating the request and its complexity. We may, with or without cause, revoke our approval of any supplier or otherwise revise our supplier approval process at any time.

Salon Location and Lease

Unless we agree otherwise, you must use the services of a real estate broker we nominate to support you in identifying a location for your Salon. You are required to use licensed and approved architects, engineering, and design vendors in developing and constructing your Salon.

We will give you mandatory and suggested specifications for the Premises, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. During the development and construction of the Premises, we will review your plans and specifications for compliance with our design requirements. We may additionally advise you from time to time regarding the construction bidding process and other aspects of developing and constructing the Premises. You must send us any revisions of plans or specifications before such revisions are implemented.

You agree to develop, construct, and decorate the Premises at your own expense according to plans and specifications approved by us and in accordance with the requirements of the Lease and applicable law.

Insurance

You must maintain in force at your sole expense comprehensive public liability coverage, general liability insurance, personal injury coverage and motor vehicle liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in connection with the Franchised Business's operation, all containing the minimum liability coverage we prescribe from time to time. The current requirements for insurance policies and coverage include: (1) comprehensive general liability insurance with limits of at least \$1 million per occurrence and \$3 million aggregate; (2) workers' compensation and employer's liability insurance with limits of at least \$1 million as well as other insurance that may be required by statute or rule of the state in which the Franchised Business is located and operated; (3) personal injury coverage with limits of at least \$2 million per occurrence and \$2 million aggregate; (4) property damage coverage with limits of at least \$1 million per occurrence and \$2 million aggregate; (5) professional liability coverage with limits of at least \$2 million each incident and \$3 million aggregate; (6) employment practices liability insurance with limits of at least \$500,000 per occurrence and \$1 million aggregate; (7) products liability coverage with limits of at least \$1 million per occurrence; and (8) automobile liability insurance, and property damage liability, including owned, non-owned, and hired vehicle coverage, with at least \$1 million general aggregate limit. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must name us and any affiliates we designate as additional named insured and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. You routinely must furnish us copies of your Certificates of Insurance, endorsements, and/or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may (but need not) obtain comparable insurance for you and the Franchised Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a reasonable fee for our time incurred in obtaining the insurance.

Purchase Arrangements

We may negotiate purchase arrangements with certain designated third party suppliers for the benefit of the Franchise System. This may allow for us and Franchisees to benefit from discounts or improved terms.

We do not provide material benefits to a franchisee based on a franchisee's purchase of particular products or services or use of particular suppliers.

Revenue We or Our Affiliates Receive from Franchisee Purchases

We or our affiliates may derive revenue or profit based on your purchases, including: (i) from charging you for Townhouse branded products and services we or our affiliates provide to you, and (ii) from payments made to us or our affiliates by suppliers that we designate or approve for our franchisees. We may retain all product and supplier payments or other revenues we are paid, and have the right to use these amounts without restriction (unless we or our affiliates agree otherwise with the supplier) for any purpose we or our affiliates deem appropriate. In the fiscal year ended December 31, 2025, we or our affiliates did not derive revenue from required purchases by franchisees (as we did not have any franchisees in 2025).

ITEM 9. FRANCHISEE’S OBLIGATIONS

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

| Obligation | Section in Agreement(s) | Disclosure Document Item(s) |
|---|--|-----------------------------|
| a. Site selection and acquisition/lease | Sections 2 and 3 of the Franchise Agreement Section 2 of the Development Agreement | 8 & 11 |
| b. Pre-opening purchases/leases | Sections 3 and 9 of the Franchise Agreement Section 4 of the Development Agreement | 5, 7, 8 & 11 |
| c. Site development and other pre-opening requirements | Section 3 of the Franchise Agreement Section 4 of the Development Agreement | 8 & 11 |
| d. Initial and ongoing training | Section 5 of the Franchise Agreement Development Agreement N/A | 11 |
| e. Opening | Section 3 of the Franchise Agreement Development Agreement N/A | 11 |
| f. Fees | Sections 4, 10.1, and 12.3 of the Franchise Agreement Sections 3 and 8.4 of the Development Agreement | 5 & 6 |
| g. Compliance with standards and policies/Operations Manual | Sections 3, 7, and 9 of the Franchise Agreement Sections 4 and 11 of the Development Agreement | 8, 11 & 14 |
| h. Trademarks and proprietary information | Sections 6 and 7 of the Franchise Agreement Section 4 of the Development Agreement | 13 & 14 |
| i. Restrictions on products/services offered | Section 9 of the Franchise Agreement Section 4 of the Development Agreement | 5, 8 & 16 |
| j. Warranty and customer service requirements | Section 9 of the Franchise Agreement Section 4 of the Development Agreement | 16 |
| k. Territorial development | Franchise Agreement N/A Section 4 of the Development Agreement | 13 |
| l. Ongoing product/service purchases | Section 9 of the Franchise Agreement Section 6 of the Development Agreement | 8 |
| m. Maintenance, appearance and remodeling requirements | Sections 9, 12.3, and 13.2 of the Franchise Agreement Development Agreement N/A | 8 |
| n. Insurance | Sections 9 and 16.4 of the Franchise Agreement Development Agreement N/A | 7 & 8 |

| Obligation | Section in Agreement(s) | Disclosure Document Item(s) |
|--|---|------------------------------------|
| o. Advertising | Section 10 of the Franchise Agreement Development Agreement N/A | 6, 8 & 11 |
| p. Indemnification | Section 16.4 of the Franchise Agreement Section 12.4 of the Development Agreement | Not applicable |
| q. Owner's participation/ management/staffing | Sections 5 and 9 of the Franchise Agreement Sections 6 and 11 of the Development Agreement | 15 |
| r. Records/reports | Section 11 of the Franchise Agreement Sections 6 and 11 of the Development Agreement | 6 |
| s. Inspection/audits | Sections 9 and 11 of the Franchise Agreement Development Agreement N/A | 6 & 11 |
| t. Transfer | Section 12 of the Franchise Agreement Section 8 of the Development Agreement | 17 |
| u. Renewal | Section 13 of the Franchise Agreement Section 5 of the Development Agreement | 17 |
| v. Post-termination obligations | Section 15 of the Franchise Agreement Section 7 of the Development Agreement | 17 |
| w. Non-competition covenants | Section 8 of the Franchise Agreement Section 9 of the Development Agreement | 17 |
| x. Dispute resolution | Section 17 of the Franchise Agreement Section 16 of the Development Agreement | 17 |
| y. Taxes/permits | Sections 3, 4, and 9 of the Franchise Agreement | 1 |
| z. Personal Guarantee | Exhibit D of the Franchise Agreement Exhibit B of the Development Agreement | 15 |

ITEM 10. FINANCING

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

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

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

Pre-Opening Obligations

Before you open your Salon, we or our designee will provide the following (under the Franchise Agreement or the Area Development Agreement, as indicated below):

1. Review your proposed site for compliance with our site selection guidelines and accept or not accept the site and your proposed lease. (Section 3 of Franchise Agreement; Section 4.3 of Area Development Agreement).

2. If you have signed an Area Development Agreement, we will review sites you propose for a Salon and, if approved, issue you a Franchise Agreement. We will use reasonable efforts to provide you with our decision within 30 days of our receipt of all requested information and materials regarding the proposed site. (Section 4.3 of Area Development Agreement).
3. Give you mandatory and suggested specifications for the development of your Salon, including requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. (Section 3 of Franchise Agreement).
4. Provide you access to our Operations Manual. (Section 7 of the Franchise Agreement).
5. Provide the Designated Representative Training Program to your Designated Representative and your Key Staff (as defined in Item 15), if any. This will be provided free of charge once. (Section 4.A. of Franchise Agreement; Section 4.3 of Area Development Agreement).
6. Provide, in respect of your first and second Salons only, free of charge Salon Recruitment support to assist in hiring the opening team only (as detailed further herein).
7. Provide, in respect of your first and second Salons only, free of charge the Salon Training Program at the location of your first and second Salons for your Salon opening team only (as detailed further herein).
8. Provide, in respect of your first and second Salons only, free of charge New Salon Opening On-Site Support at the location of your first and second Salons for your Salon opening team only (as detailed further herein).
9. Provide you with a list of Operating Assets (Section 3 of Franchise Agreement).

Post-Opening Obligations

During the operation of your Salon, we or our designee:

1. Will provide launch marketing support to support your efforts in marketing the Salon. (Section 5.2 of the Franchise Agreement; Exhibit D of the Development Agreement).
2. May provide general guidance to you from time to time regarding your Salon's operation, as we deem appropriate, based on your reports or our inspections. (Section 9.22 of Franchise Agreement).
3. Will administer the Brand Marketing Fund and, at your request, provide an annual unaudited statement of contributions and disbursements for the Brand Marketing Fund within 120 days after the end of the previous fiscal year. (Section 10 of Franchise Agreement).

During the operation of your Salon, we may, but are not obligated to, provide assistance in setting a maximum or minimum price that you may advertise for products and services offered by your Salon. (Section 9.11 of Franchise Agreement).

Site Selection and Construction

Unless we agree otherwise, you must use the services of a real estate broker we nominate to support you in identifying a location for your Salon. You must identify and secure a site for your Salon's Premises within a Salon Protected Area (as defined in Item 12) specified in your Franchise Agreement. We do not typically own the Premises for your Salon or lease it to you. If you have signed an Area Development Agreement, you must find all sites for your Salons in your Development Area and open your first Salon within 9 months of signing the Area Development Agreement, and our then-current site criteria will apply when considering each proposed site in your Development Area. Once you identify a proposed site, you must submit to us a complete report containing the documents and information we require, including a description of the site, and a letter of intent or other evidence confirming your favorable prospects for obtaining the proposed site. Our review and approval is conditioned on a variety of factors, including the site's demographics, location, and proximity to other businesses, the character of the neighborhood, the size and appearance of the premises to be leased, and other characteristics and criteria that may change. We will use reasonable efforts to accept or not accept the proposed site within 30 days after receiving your report.

Before signing any lease, sublease, or other document for the Premises (the "Lease"), you must obtain our written approval. The Lease must contain certain provisions we require, following the form of Lease Rider attached as Exhibit F to the Franchise Agreement. It is your sole responsibility to obtain a fully executed Lease Rider when executing your Lease. You must submit to us a copy of the executed Lease within 45 days of execution of your Lease.

You must develop, construct and decorate the Premises at your own expense according to plans and specifications approved by us and in accordance with the requirements of the Lease and applicable law.

It is your responsibility to ensure all required construction plans and specifications comply with the Americans with Disabilities Act ("ADA") and all other applicable ordinances, building codes, permit requirements, and Lease requirements and restrictions, and that the Premises complies with such laws and regulations.

We will give you (or if we have designated an approved supplier to develop design specifications for your Salon, we will give that approved supplier) mandatory and suggested specifications for the development of your Salon, including suggestions or requirements for dimensions, design, image, interior layout, decor, fixtures, equipment, signs, furnishings, and color scheme. You must send us any revisions of plans or specifications before such revisions are implemented. You must obtain and install the Operating Assets that we approve or designate for Salons only from suppliers we designate or approve (which may include or be limited to us and/or our affiliates).

Opening Your Salon

You may not open your Salon for business without our written authorization, which will be conditioned upon the following: (i) we notify you in writing that your Salon meets our standards and specifications; (ii) your Designated Representative and Key Staff we require have satisfactorily completed the Designated Representative Training Program (as defined below); (iii) you satisfactorily complete the Pre-Opening Activities (described below); (iv) you have paid us all initial fees and other amounts you owe us; (v) you have provided us certificates for all required insurance policies; (vi) you obtain all required supplies and opening inventory for your Salon; (vii) you hire the staff required to operate your Salon; (viii) you submit a completed trade area survey and a proposed advertising and marketing plan for approval (as further described below); (ix) you meet all regulatory and licensing requirements to operate your Salon; and (x) you are otherwise in compliance with the terms of your Franchise Agreement. We will provide an operating certificate for the Salon when we are satisfied that the Salon and your

operations meet all of our standards and requirements in the Manual and are ready to open and operate in accordance with the Franchise Agreement.

We estimate that it will be approximately 3 to 6 months from the time you sign the Area Development Agreement to the time your Salon begins operations assuming you have identified a site. This time period may be shorter or longer depending on the modifications that must be made to the site to accommodate your Salon and other factors, such as delays or difficulties in obtaining financing, building permits, zoning and local ordinances, weather conditions, shortages of materials or delayed installation of equipment, fixtures or signs. You must open your Salon within 9 months after signing the Franchise Agreement. Because the site selection process is accomplished under the Area Development Agreement, we expect that you will not sign the Franchise Agreement until after you have selected, and we have approved, a site. If you fail to open the Salon by the deadline, we may terminate the Franchise Agreement. If you sign a Franchise Agreement under an Area Development Agreement, you must open your Salon by the deadline described in the Development Schedule or we may terminate the Franchise Agreement.

Advertising and Marketing

Marketing Launch Fee, Pre-Opening Activities, and Re-Opening Activities. In respect of your first two Salon openings, no later than 90 days before the expected or scheduled opening of the Salon, you must pay to us a Marketing Launch Fee of \$10,000 by EDTA. The Marketing Launch Fee is in addition to your Local Marketing Spend Amount. We will use the Marketing Launch Fee to advertise, market, and promote your Salon using any suppliers we may designate in accordance with a marketing and recruiting plan that we determine, which may include pre-opening membership sales, recruitment of service providers, and related local promotional campaigns.

We or our affiliates may be a supplier of local advertising, marketing and promotional programs for your Salon.

You must submit to us 45 days before opening an advertising and marketing plan for approval which describes your plan for the first three months after opening your Salon or purchasing an existing Salon.

Additional Marketing Programs. You must at all times cooperate with us and other franchisees of ours and must actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs (including, without limitation, product give-away promotions and cross-brand promotional programs with our affiliated brands) which may be developed or implemented by us.

Subject to applicable law and as further described in Item 16, we may periodically set a maximum or minimum price that you may advertise for products and services offered by your Salon.

Brand Marketing Fund. We have established an advertising and marketing fund (the “Brand Marketing Fund”) for the marketing, recruiting, advertising, and promotional programs and materials we deem appropriate. You must make periodic contributions to the Brand Marketing Fund equal to 2% of the Net Revenue of your Salon. Salons owned or operated by our Affiliates may make contributions to the Brand Marketing Fund on the same basis as you and our other franchisees but are not required to do so. Your required contributions to the Brand Marketing Fund shall be payable at the same time as the payment of the Service Fee, based on Net Revenue for the immediately preceding reporting period. We have the right to collect for deposit into the Brand Marketing Fund any advertising, marketing, or similar allowances paid to us by suppliers to the Franchise System who instruct us to use the allowances for advertising or marketing purposes. We may incorporate the Brand Marketing Fund or operate it through a separate

entity as we deem appropriate. We have no fiduciary obligations to you in connection with our administration of the Brand Marketing Fund. We do not use any of the funds contributed to the Brand Marketing Fund principally to solicit new franchise sales.

We designate all programs to be financed by the Brand Marketing Fund and have sole control over the creative concepts, materials, and endorsements prepared and used and their geographic, market, and media placement and allocation. The Brand Marketing Fund may be used for any purpose to promote the Franchise System, the Marks, the patronage of Salons and the Townhouse brand, including but not limited to the costs of: creative development and production of print ads, commercials, social media advertising and promotions, radio spots, direct mail pieces, door hangers, and other advertising and promotional materials; creative development of, and preparing, producing, and placing video, audio, and written materials and electronic media; media placement and buying, including all associated expenses and fees; implementation of digitally identifiable marketing phone numbers; deployment and execution of marketing technology; selection and support of sponsorships; administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys, including the use of “secret ‘shoppers’ or clients”; lead sharing or lead generating services or vendors; the creative development of, and actual production associated with, promotions, public relation events, and charitable or nonprofit events; creative development of signage and posters; employee recognition and awards events and programs; periodic national and regional conventions and meetings; Online Site, extranet and/or intranet development, implementation, and maintenance; retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and public relations and community involvement activities and programs.

We determine the use of the funds contributed to the Brand Marketing Fund, including allocating a portion of any Brand Marketing Fund contributions to any national, regional, multi-regional, international, or local marketing, recruiting, advertising, and promotional programs we may establish in the future. We are not required to spend any particular amount on marketing, recruiting, advertising or promotion in the area in which your Salon will be located. In addition, we are not required to ensure that Brand Marketing Fund expenditures for or affecting any geographic area be proportionate or equivalent to Brand Marketing Fund contributions by Salons operating in that area, or that any Salon benefits from the development or placement of marketing, recruiting, advertising, or promotional materials directly or in proportion to its Brand Marketing Fund contributions. We also may forgive, waive, settle, and compromise all claims by or against the Brand Marketing Fund. Except as specifically provided in your Franchise Agreement, we assume no other direct or indirect liability or obligation to you for collecting amounts due, or maintaining, directing, or administering the Brand Marketing Fund.

The Brand Marketing Fund is accounted for separately from our other funds and we do not use the Brand Marketing Fund for any of our general operating expenses, except to compensate us for the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering the Brand Marketing Fund and its programs, including conducting market research, preparing marketing, marketing, recruiting, advertising, and promotional materials, and collecting and accounting for Brand Marketing Fund contributions. The Brand Marketing Fund may spend in any fiscal year more or less than the total Brand Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We have the right to terminate the Brand Marketing Fund, and if we do so we will spend all unspent amounts on marketing activities specified by the Franchise Agreement.

We are not required to audit the Brand Marketing Fund, but we will prepare an annual unaudited statement of monies collected and costs incurred by the Brand Marketing Fund and furnish the previous fiscal year’s statement to you upon written request, within 120 days after the end of our previous fiscal year.

In the fiscal year ended December 31, 2025, there were no contributions to or expenditures from the Brand Marketing Fund.

Franchise System Website. We may establish, acquire, or host any website(s) for recruitment purposes or to advertise, market, and promote Salons, the products and services that they offer and sell, and/or a Salon franchise opportunity (a “Franchise System Website”). We will provide you with a webpage or listings of your Salons on a Franchise System Website that references your Salon. If we provide you with a webpage or listings of your Salons on a Franchise System Website, you must: (1) provide us the information and materials we request to develop, update, and modify your webpage or listings; (2) notify us whenever any information on your webpage is not accurate; and (3) obtain our prior approval for any proposed changes to the content or coding of your webpage or listings (if we choose to grant you any abilities to modify your webpage or listings). We will own all intellectual property and other rights in all Franchise System Websites, including your webpage and listings and all information it contains (including the domain name, any associated email address, any website analytical data, and any personal or business data that visitors supply). If Your request modifications to your webpage or listings, we reserve the right to charge you a fee for such webpage as part of the Technology Fee. We periodically may update and modify any Franchise System Website (including your webpage or listings as deemed appropriate by us).

Even if we provide you a webpage or listings on a Franchise System Website, we will only maintain this webpage or listings while you are in full compliance with your Franchise Agreement and all System Standards we implement (including those relating to Franchise System Websites). If you are in default of any obligation under your Franchise Agreement or our System Standards, then we may temporarily remove your webpage or listings from any Franchise System Website (or all Franchise System Websites) until you fully cure the default. We will permanently remove your webpage or listings from all Franchise System Websites upon the Franchise Agreement’s expiration or termination.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current terms and conditions, which may include additional monthly fees.

Except as provided above, or as approved by us in writing or in the Operations Manual, you may not develop, maintain or authorize any Online Presence (as defined in Item 13 and discussed at Section 10.6 of the Franchise Agreement) that mentions your Salon, links to any Franchise System Website or displays any of the Marks, or engage in any promotional or similar activities, whether directly or indirectly, through any Online Presence. If we approve the use of any such Online Presence in the operation of your Salon, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on other third-party websites. We may require you to delete any content from any Online Presence for any reason including any content that we deem likely to substantively and adversely impact the substance or protectability of the Marks or any other intellectual property contemplated in this Agreement or the goodwill, prestige, reputation, or value of Marks or such intellectual property, and if such content cannot be deleted, you will cooperate with us to actively, diligently, and meaningfully mitigate the impact of such content on the Marks or other intellectual property. We will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

Franchisee Advertising Councils or Cooperatives. We may, in our discretion, elect to form an advertising council or cooperative for the benefit of the Franchise System. As of the date of this Disclosure Document, there is no advertising council or cooperative in effect for the Franchise System.

Computer System

You agree to purchase and use the computer hardware, sales and scheduling software, point-of-sale system, other operating software, applications, platforms and existing or future technology components we specify from time to time (the “Computer System”) including from third parties and from us. We may replace or modify all or components of the Computer System from time to time and you agree to implement our replacements or modifications after you receive notice from us at your expense. We might periodically require you to purchase, lease, and/or license new or modified components of the Computer System and to obtain service and support for the Computer System. You must obtain and install the Computer System, and ensure that the Computer System is functioning properly, before your Salon opens. During your Franchise Agreement’s term, you must pay for any proprietary software, applications or other technology that we, our affiliates or third-party designees license to you and for other maintenance and support services that we, our affiliates or third-party designees provide. You may be required to sign a license agreement or similar document as a condition of licensing certain proprietary software, applications, or other technology that we or our affiliates designate, develop or maintain and these license agreements may further regulate your use of such software, applications or other technology while establishing each parties’ rights and responsibilities.

The Computer System must give us and our affiliates access to all information generated by the Computer System, including but not limited to pricing and client information for your Salon. At our request, you agree to sign a release with any vendor of your Computer System providing us with unlimited access to your data. You are solely responsible for acquiring, operating, maintaining and upgrading: (1) the Computer System; (2) the connectivity of your Computer System (including the point-of-sale system); and (3) third-party interfaces between the Computer System and our and any third party’s computer system. You are solely responsible for any and all consequences if the Computer System is not properly operated, maintained, and upgraded. You also are solely responsible for protecting yourself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and you waive any and all claims you may have against us as the direct or indirect result of such disruptions, failures or attacks. You may be required to enter into binding terms and conditions regarding your usage of the Computer System.

We cannot estimate the future costs of the Computer System (or replacements or modifications) and the cost to you of obtaining the Computer System (including software licenses) or replacements or modification may not be fully amortizable over the remaining term of your Franchise Agreement. Nonetheless, you must incur such costs.

The minimum computer hardware requirements are specified in the Operations Manual or otherwise in writing by us. This includes several tablets which are capable of operating the point-of-sale system and other software we specify, in addition to a minimum of one check-in kiosk, a music player and other peripherals. We estimate that the cost to purchase the minimum Computer System from our designated vendors will be approximately \$13,500.

We require you to use the Booking Platform and other designated software programs described in the Operations Manual or otherwise in writing by us. The Booking Platform means the software architecture specified by us for the taking of, management of and charging for customer bookings for the Products and Services offered at your Salon. This may include one or more software packages and/or payment processing platforms which may be substituted, added to and varied at our election.

We may require you to install and maintain a hardware and software firewall device on your Computer System that follows closely to the Payment Card Industry (PCI) DSS merchant requirements as stated on <http://www.pcisecuritystandards.org> or any other industry standards.

Operations Manual

After you sign the Franchise Agreement, we will provide you one electronic copy of our manual for the operation of Salons, which may include one or more separate manuals, as well as information available on an internet site, other electronic media, bulletins and/or other written materials (collectively, the “Operations Manual”). The Operations Manual contains the System Standards, other specifications, standards and procedures that we suggest, and information on your other obligations under your Franchise Agreement. We may modify the Operations Manual at any time. We may post some or all of the Operations Manual on a restricted website or file hosting platform, third party system or extranet to which you will have access. If we do so, you will monitor and access the website or extranet for any updates to the Operations Manual.

We consider the contents of the Operations Manual to be proprietary, and you must treat them as confidential. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Operations Manual and you may not disclose the Operations Manual to any person other than any employee of yours who needs to know its contents. You must comply at all times with the requirements in the Operations Manual. You must keep your copy of the Operations Manual current and in a secure location at your Salon. We will update the Operations Manual periodically and at our sole discretion as we look to improve the System.

You will have the opportunity to review the contents of the Operations Manual before you sign the Franchise Agreement. In order to do so, you must sign a confidentiality and non-disclosure agreement, the form of which is attached as Exhibit F of the Area Development Agreement.

Designated Representative Training

Designated Representative Training Program. Before you open your first Salon, your Designated Representative and your Key Staff must attend and complete our initial training program (the “Designated Representative Training Program”) to our satisfaction. One iteration of this Designated Representative Training Program will be provided by us free of charge. Designated Representative Training Program participants must complete the Designated Representative Training Program to our satisfaction within 45 days of signing the Development Agreement.

Your Designated Representative will, after successfully completing our Designated Representative Training Program, be responsible for providing onward training in the matters covered in the Designated Representative Training Program for each of your staff and employees as necessary. We will provide the Designated Representative Training Program at the times and locations we determine. We reserve the right to vary the Designated Representative Training Program from time to time.

You may also request that we provide any portion of the Designated Representative Training Program on-site at your location, and we will determine whether to provide such portion of the Designated Representative Training Program on-site. If we provide any portion of the Designated Representative Training Program on-site at your location, we reserve the right to charge our then-current training fee (including our trainers’ travel and living expenses as further described below).

If we provide any portion of the Designated Representative Training Program more than one time, we may charge you our then-current training fee for any training that we have previously provided to at least one trainee associated with you. We may also elect not to provide any portion of the Designated Representative Training Program more than once.

If you (or your Designated Representative), your Key Staff (if applicable), or any other personnel required by us, fail to satisfactorily complete the Designated Representative Training Program or you appoint a new Designated Representative, then we reserve the right to require such individual to attend remedial or replacement training and you may be required to pay us our then-current training fee for such remedial or replacement training (as detailed above). Remedial or replacement training will be provided at a time and location of our choice. If you (or your Designated Representative), or any manager and/or assistant manager required by us (including any applicable Key Staff), are unable to satisfactorily complete the remedial training, we reserve the right to terminate your Franchise Agreement.

The materials used in the Designated Representative Training Program include the Operations Manual as well as other presentation materials, including PowerPoint presentations.

The following is a summary of our Designated Representative Training Program:

DESIGNATED REPRESENTATIVE TRAINING PROGRAM

| Subject | Hours of Classroom/Home Study Training | Hours of On-The-Job Training | Location |
|--|--|------------------------------|--|
| Franchisee Training Part 1 – Brand Immersion <ul style="list-style-type: none"> • Welcome to Townhouse • Brand values • Design principles • Guest experience and expectations • Overview of departments • Operating model • Salon formats • Development process | 8 | 0 | Corporate office – London or virtually via video conference |
| Franchisee Training Part 2 – Core Training <ul style="list-style-type: none"> • Real estate fundamentals • Construction and fit-out • Talent acquisition • Training and development • Marketing and PR | 32 | 0 | Corporate office – London or virtually via video conference |

| Subject | Hours of Classroom/Home Study Training | Hours of On-The-Job Training | Location |
|---|--|------------------------------|----------|
| <ul style="list-style-type: none"> • Product and supply chain • Technology systems • Brand standards • Customer care • Finance basics • Operations • Opening preparation • Service flow • Brand standards compliance • Staff management • Scheduling • Inventory • Technology systems • Opening support | | | |

The following individuals may assist with the Training Program:

- **Glenn Edwards, Chief Operating Officer – Townhouse**

Mr. Edwards has extensive experience in multi-unit hospitality and franchised operations. Before joining Townhouse, he served as Chief Executive Officer of Leon Restaurants Ltd., where he led international growth and franchising into multiple global markets. His experience includes operational standards, training systems, and franchise partner support.

- **Jonathan Cole, Partnerships Director – Townhouse**

Mr. Cole has significant international hospitality and operational experience. Before joining Townhouse, he spent nearly two decades with Starbucks in senior leadership roles across multiple markets, including operations, international market support, and supply chain leadership. His experience includes supporting scalable operations and partner performance.

Salon Team Training Program

All employees working within Salons must complete to the required standard the Townhouse Salon Team Training Program as detailed further in the Operations Manual before they commence work in a Salon.

This Salon Team Training Program will be provided by Townhouse employees free of charge to the opening team only of your first two salons. This training will take place at the location of your first two salons. The Salons must be fully built and functional before this training commences.

Franchisees are required to appoint their own trainer no later than before the opening of their third salon,

with such Franchisee trainer then delivering the Salon Team Training Program in respect of subsequent openings and employees of the Franchisee. Townhouse will deliver free of charge training to the Franchisee trainer on a periodic basis. The Franchisee will be fully responsible for all costs of the Franchisee trainer including travel and accommodation and are responsible for their output.

Subject to availability, we may be able to offer additional Salon Team Training Programs at the cost detailed herein.

We may periodically modify our System Standards related to Salon positions within the Franchise System, including mandatory training programs and recruitment criteria.

Annual & Regional Conferences and Meetings; Other Training Courses, Program, and Events. You (or your Designated Representative) and any applicable Key Staff are required to attend any scheduled annual franchise owner conferences. You will be required to pay our then-current registration fee.

We may require you and/or certain other employees of your Salon (including any applicable Key Staff) to attend or otherwise complete various in-person or electronic training courses, trade shows, ongoing education or certification programs, franchisor-sponsored performance groups, and/or webinars at the times and locations designated by us, including courses and programs provided by third parties we designate. You may be required to pay fees to third-parties or pay us our then-current training fee for such courses and programs.

General Guidance; Additional or Special Training. We may periodically advise you regarding your Salon's operation based on your reports or our inspections. We may guide you, in the form of our Operations Manual, with respect to: (1) standards, specifications, and operating procedures and methods that Salons use, including, facility appearance, client-service procedures, and quality control; (2) equipment and facility maintenance; (3) inventory management and working with suppliers; (4) advertising, marketing and branding strategies; and (5) administrative, accounting, reporting and record retention. We may also provide guidance virtually or via telephonic conversations and/or consultation at our offices and we may require you to participate in certain calls or meetings we specify.

If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-current training fee (currently, \$400 per day per attendee or trainer, depending on the training to be provided), including our travel and living expenses. We reserve the right to periodically visit the Premises and evaluate your Salon, including on an unannounced basis.

Opening Support. We will assign an employee to support the opening of your first two Salons on site as specified in the Operations Manual free of charge. The support team will provide specific assistance in opening the Salon in accordance with the Operations Manual and our operating Standards. You will pay our then applicable charges for travel and living expenses.

Travel and Living Expenses. You must pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you, your Designated Representative, or any employee or manager (including any applicable Key Staff) incurs during any and all meetings and/or training courses and programs. You are also responsible for the travel and living expenses and out-of-pocket costs we incur in sending our employee(s) to your Salon to conduct training, including food, lodging and transportation.

ITEM 12. TERRITORY

Area Development Agreement

The Area Development Agreement grants you the right to develop, own and operate Salons within the designated “Development Area” that will be described in Exhibit A attached to the Area Development Agreement. The Development Area is separate and distinct from the Salon Protected Area for your Salons which will be set forth in their corresponding Franchise Agreements.

The boundaries of the Development Area will be described by map coordinates, city limits, counties, states, or other boundaries when appropriate. We will determine in our discretion the Development Area we will offer to you before you sign the Area Development Agreement. We determine the size of the Development Area based on multiple factors, including but not limited to demographics, competition, your capacity to recruit and provide services in the Development Area, and site availability among other economic and market factors.

Subject to the exclusions in the Area Development Agreement, while you are in compliance with the Area Development Agreement and all of your Franchise Agreements, we will not establish or license others to establish new Salons within your Development Area during the term of the Area Development Agreement. You are not required to achieve certain sales volume, market penetration or other contingencies in order to maintain your protection for the Development Area, but your failure to comply with the Development Schedule will be a material breach of the Area Development Agreement (along with other breaches specified in the Area Development Agreement), which may result in our terminating the Area Development Agreement, granting similar development or franchise rights to others within the Development Area, reducing the size of the Development Area, reconfiguring the Development Area or modifying the Development Schedule by reducing the number of Salons to be developed and/or modifying the development deadlines for the Salon, in each case as we determine.

We and our affiliates retain the right to: (1) establish, and license others to establish, Townhouse Salons at any location outside the Development Area, notwithstanding such Salons’ proximity to any Salon operated by you within the Development Area, or their actual or threatened impact on sales at such Salon(s); (2) establish, and license others to establish, Townhouse Salons at or in any Reserved Channels, or provide products or services under the Townhouse Marks and brand in any of the Reserved Channels, within or outside the Development Area, regardless of proximity; (3) establish, acquire or operate, or license others to establish and operate, salons, stores or any other format under other systems or other marks, which Salons or stores may offer or sell products that are different from the products and services offered from the Salon, and which Salons or stores may be located within or outside the Development Area, notwithstanding such Salon’s or store’s proximity to the Development Area or to any Salon developed or operated pursuant to this Agreement, or their actual or threatened impact on sales at such Townhouse Salon(s); (4) in the event we acquire or are acquired by another chain or system that operates and/or franchises salons or stores that are the same or similar to Townhouse Salons in that they have a substantially similar products or services, we may establish, acquire or operate, or license others to establish and operate, salons or stores under other systems or other marks, which salons or stores may offer or sell products or services that are the same as, or similar to, the products and services offered from the Salon, and which salons or stores may be located within or outside the Development Area, despite these Salons’ or stores’ proximity to any Townhouse Salon operated by you or their actual or threatened impact on sales at such Townhouse Salon; and (5) sell and distribute, directly or indirectly, any products, services, or merchandise from any location or to any customer , so long as such sales are not conducted from a Townhouse Salon operated from a location inside the Development Area.

You will not receive an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We will not, however, establish or license others to establish new Salons within your Development Area during the term of the Area Development Agreement while you are in compliance with its terms and those within your Franchise Agreements as described above.

You may not engage in any promotional or similar activities, directly or indirectly, including but not limited through or on the Internet, catalog sales, telemarketing or other direct marketing campaigns, without our consent.

We are not required to pay you if we exercise any of the rights specified above inside or outside your Development Area.

Franchise Agreement

Under the Franchise Agreement, you will be granted the right and license to operate your Salon from within the “Salon Protected Area” identified in Exhibit A to your Franchise Agreement. The Salon Protected Area will be agreed upon by you and us before your execution of the Franchise Agreement and may range from a portion of a city or an unincorporated area to a single or multi-county area, and will generally be 0.25 miles for a Salon that is located within the city perimeter of an incorporated city or similar high density location, or 0.5 miles for all other Salons. We determine the boundaries of each Salon Protected Area on a case-by-case basis based on various factors, such as: the population in the surrounding area; traffic volume and traffic patterns; proximity to retail centers, residential areas, businesses and other potential customer sources; and other site-specific data we determine. If you are signing a Franchise Agreement in connection with an Area Development Agreement, our then-current criteria will apply when determining the Salon Protected Area under that particular Franchise Agreement. Note however that the borders of your Development Area will serve as fixed boundaries over which any Salon Protected Area may not extend, meaning your Salon Protected Area will always end at the boundary of any Development Area granted.

If you are and remain in full compliance with the Franchise Agreement, neither we nor our affiliates own or operate, or authorize, license, or franchise any person or entity to own or operate, Salons in the Salon Protected Area, or grant such a franchise or license for a Townhouse Salon that is granted with a protected area or territorial rights similar to those under the Franchise Agreement during the initial term of the Franchise Agreement. Other than the territorial rights detailed herein, we retain all other rights to operate within or outside of your Salon Protected Area, as described below in this Item 12 and in the Franchise Agreement.

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

You cannot relocate your Salon without our prior written approval. Other than your rights described above with respect to your Salon Protected Area, we (and our affiliates) retain all rights with respect to the placement of Salons and other businesses using the Marks, the sale of similar or dissimilar products and services, and any other activities, without compensation to you. These rights include:

1. The right to operate Townhouse Salons and similar businesses in the Reserved Channels, and the right to operate, and to grant others the right to operate, Townhouse Salons and similar businesses under different names or marks with physical locations located anywhere regardless of proximity to the Site or the Salon Protected Area;

2. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Salon Protected Area and on any terms and conditions we deem appropriate;
3. the right to acquire the assets or ownership interests of one or more businesses that operate and/or have granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with Townhouse Salons, and/or the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a person, business, or entity that operates or franchises a Competing Business, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Salon Protected Area; and if we or our affiliate acquire, or are acquired by, such a Competing Business or chain, we or the person or entity that acquires us may establish or grant franchises or licenses to establish new or additional Competing Businesses under the acquired or acquiring chain’s marks in your Salon Protected Area;
4. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Townhouse Salons, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Salon Protected Area;
5. all rights to the Marks, the System, and the advertisement, offer, or sale of Townhouse Salon services in the metaverse; and
6. the right to engage in all other activities not expressly prohibited by your Franchise Agreement.

To remain in compliance with the Franchise Agreement, you must meet our Minimum Performance Standards. Minimum Performance Standards are defined in the Franchise Agreement and Operations Manual, and include, as of the date of this Disclosure Document, attaining an average Google rating of 3.8 out of 5.0, an average Zenoti rating of 3.8 out of 5.0, and remaining open for an average of 48 hours per week with no less than two team members on duty at all times.

For purposes of both the Franchise Agreement and Development Agreement, “Reserved Channels” means (a) physical locations within the following retail channels: arenas, casinos, convention centers, airports, railway stations, ports and other travel hubs, hotels, movie theaters, health clubs, hospitals, military bases, educational campuses, grocery stores, spas, and similar environments, as well as other locations within another business or dependent upon one main business or organization as its primary trade generator, normally with limited access to the general public and a limited trade area, usually in relation to its primary trade generator; (b) the sale of products to any customer other than in a Salon; and (c) any other channel, service, or consultancy offering or retail method of any kind other than the operation of a Salon.

ITEM 13. TRADEMARKS

The Franchise Agreement grants you a non-exclusive license to use the Marks. All of the primary Marks described below are registered on the Principal Register of the United States Patent and Trademark Office (“USPTO”) and all required affidavits and renewals for the Marks have been filed.

| Mark | Registration Number | Registration Date |
|-------------|----------------------------|--------------------------|
| TOWNHOUSE | 7,683,049 | February 11, 2025 |

Currently, there are no effective determinations of the USPTO, the Trademark Trial and Appeal Board, or the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks. The Marks are owned by our affiliate Townhouse Group Limited and licensed to us pursuant to a Trademark License Agreement dated December 31, 2025 (the “Trademark License Agreement”). The Trademark License Agreement is for a perpetual term unless terminated. Townhouse Group Limited may terminate the Trademark License Agreement if we cease to be a subsidiary of Townhouse Group Limited or are subject to winding up. Townhouse Group Limited has no obligations or liabilities to you under the Trademark License Agreement. If the Trademark License Agreement terminates, any then-existing sublicenses (franchises) will continue for the term of the sublicenses, provided that the franchisees comply with all other terms of their Franchise Agreements. The Trademark License Agreement contains no other material limitations.

Other than the Trademark License Agreement, there are currently no effective agreements that significantly limit our right to use, license or sublicense the Marks. Neither we nor our affiliates know of any infringing uses or superior prior rights that could materially affect your use of the Marks.

Your use of the Marks and any goodwill established by that use are solely for our benefit. You have no ownership or other interest in the Marks. You may not at any time contest, or assist any other person in contesting, the validity, ownership, distinctiveness or enforceability of the Marks. You must follow our rules when you use the Marks and the Marks are the only marks you may use to identify your Salon, except that you agree to identify yourself as its independent owner and operator in the manner we prescribe. You may not use any Mark or any part of any Mark as part of any corporate or legal business name; with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you); in selling any unauthorized services or products; as part of any website, domain name, e-mail address, social media account, other online presence or presence on any electronic medium of any kind (each an “Online Presence”), except in accordance with our guidelines; in advertising the transfer, sale, or other disposition of your Salon or an ownership interest in you without our prior consent; in connection with any tobacco products, pornography or other obscene or profane materials, gambling, firearms, ammunition or materials that depict or glorify violence; or in any other manner that we have not expressly authorized in writing.

You may not take any action that will harm the Franchise System, other Salons or the goodwill associated with the Marks. We and our agents will have the right to enter and inspect your Salon to make sure you are complying with our standards, including but not limited to the proper use and display of the Marks.

You must modify or discontinue using any Mark and/or use additional or substitute Marks, at your expense, if we require you to do so. We need not reimburse you for any costs or expenses associated with making such changes, for your lost revenue, or for your expenses of promoting modified or substitution Marks.

You must notify us immediately of any known, actual, suspected, threatened or apparent infringement of, or challenge to, your use of any Mark and may not communicate information about such an infringement or challenge with any person other than us, your counsel, or our counsel. You may not settle any claim without our written consent. We may take any action we deem appropriate (including no action) and exclusively control any litigation or USPTO proceeding, or other administrative proceeding arising out of any infringement, challenge or claim or otherwise concerning any Mark. We will reimburse you for all damages or expenses incurred by you in responding to any trademark infringement proceeding disputing your authorized use of any Mark in accordance with the terms of your Franchise Agreement. We will not pay any of your attorneys’ costs or fees if you hire your own attorney. At our option, we may defend and

control the defense of any proceeding arising from your use of any Mark under your Franchise Agreement. You must sign documents and take any other reasonable action that, in the opinion of our counsel, may be necessary or advisable to protect and maintain our interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain our interests in the Marks.

Upon expiration or termination of your Franchise Agreement, you will have no further right to use the Marks and you must immediately discontinue using the Marks.

ITEM 14. PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

No patents are material to the Salon or your operation of the Salon.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Townhouse Salons, including advertising and promotional materials, the Operations Manual, and similar materials (discussed below). We have not registered the materials with the United States Register of Copyrights, but we are not required to do so. We may register any of these items or copyrightable materials in the future.

There are currently no effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Any and all copyright in and to advertising and promotional materials developed by you or on your behalf will be our sole property, and you must execute those documents (and, if necessary, require your independent contractors to execute those documents) that may be deemed reasonably necessary by us to give effect to this requirement.

Confidential Information

We possess (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “Confidential Information”), concerning developing and operating Townhouse Salons, including: site selection and territorial criteria; training and operations materials and manuals; methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Townhouse Salons and providing care to clients; marketing and advertising programs for Townhouse Salons; employee and caregiver recruitment, training, retention programs; knowledge of specifications for and suppliers of Operating Assets, and other products; any computer software or similar technology which is proprietary to us or the Franchise System, including, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; knowledge of the operating results and financial performance of Townhouse Salons other than your Salon; and graphic designs and related intellectual property.

You will not acquire any interest in Confidential Information, other than the right to use it as we specify in operating the Salon during the Franchise Agreement's term, and that Confidential Information is proprietary and is disclosed to you only on the condition that you: (1) will not use Confidential Information in any other business or capacity; (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Franchise Agreement's term and after the term for as long as the item is not generally known in the employment and/or health care and/or care industries; (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Salon personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. There may be, however, certain limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Operations Manual.

We have the right to regulate the form of agreements that you use and to be a third-party beneficiary of those agreements with independent enforcement rights. You are obligated to maintain in your files those executed confidentiality agreements we specify and make them available to us upon request.

Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the employment and/or health care and/or care industries through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the employment and/or health care and/or care industries through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.

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

Development Agreement

If you sign a Development Agreement (and we expect that all franchisees will also sign a Development Agreement), you are obligated, at all times, to faithfully, honestly and diligently perform your obligations and fully exploit the development rights granted to you. You may not subcontract, subfranchise, or delegate any of your obligations to any third parties.

You must designate, subject to our approval, an individual, your "Designated Representative," who will manage and supervise the operations of all Salons to be developed pursuant to your Development Agreement. Your Designated Representative must supervise your Salons on a full-time basis and exert best efforts to promote and enhance your Salons. Your Designated Representative must be empowered with full authority to act for you and we will be entitled to rely solely on the decision of the Designated Representative without discussing the matter with any other party. If your Designated Representative resigns or otherwise indicates to us or to you that he or she wishes to cease acting as Designated Representative, or we disapprove of your Designated Representative at any time, you must designate a new Designated Representative within 30 days for our review and approval.

If you are an entity, each of your direct and indirect owners with a 20% equity interest in the Developer Entity must sign a Guaranty and Assumption of Obligations in the form attached as Exhibit B to the Development Agreement. The persons signing the Guaranty and Assumption of Obligations agree to

personally assume and perform all of the area developer's obligations under the Development Agreement. In addition, the spouses of your owners signing will be required to acknowledge and consent to the Guaranty and Assumption of Obligations.

Franchise Agreement

If you are signing the Franchise Agreement as a legal business entity, your "Designated Representative" designated under the Development Agreement must manage and supervise the operations of the Salon (as well as the other Salons you operate). Without our written consent, your entity may not engage in any business other than the operation of your Salon, unless we approve you to acquire and operate additional Salons pursuant to additional franchise agreements between us and you.

You and such persons we designate, which may include the spouses of your owners (if you are signing the Franchise Agreement as a business entity), must execute the Guaranty and Assumption of Franchisee's Obligations attached as Exhibit D to the Franchise Agreement, jointly and severally guarantying your and their performance under the Franchise Agreement and binding yourself and themselves to the Franchise Agreement and any ancillary agreements between you and us.

You must require persons who have access to our Confidential Information to execute confidentiality, non-competition and non-solicitation agreements in the form attached as Exhibit F to the Area Development Agreement.

You, the franchisee, are solely responsible for all employment decisions and functions related to the Salon, including hiring, firing, compensation, benefits, work hours, work rules, record-keeping, scheduling, supervision, and discipline of employees, notwithstanding any suggestions, advice, guidelines, programs or training that we may offer. You, your Designated Representative, and your Key Staff must comply with all federal, state and local laws and regulations regarding employment-related matters. All personnel decisions will be made by you, without any influence or advice from us. You must take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum standards that we may establish from time to time in the Operations Manuals. To the extent that we may provide suggested or mandatory standards regarding the minimum number of employees, those standards are designed solely to meet the anticipated volume of business, preserve good customer relations, and to achieve the goals of the System. We shall not be deemed a joint employer with you for any reason. If we incur any cost, loss, or damage as a result of any actions or omissions of you or your employees, including any that relate to any party making a finding of any joint employer status, you will fully indemnify us for such loss.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

Authorized Products and Services Generally

You must sell or offer for sale all products and services we require using the method and manner of distribution we prescribe. You must conduct all services in accordance with our System Standards (and if we at any time determine that you fail to meet our System Standards for providing any products or services that we require, we may permanently or temporarily terminate your right to offer such products or services, in addition to all other remedies we have). You must sell and offer for sale only the products and services that we have approved for sale, and you must discontinue selling and offering for sale any products or services which we may disapprove at any time. You must purchase and use only the brands,

types, or models of products, materials, supplies and services (including the Operating Assets and the Computer System) that we designate for operating your Salon.

Pricing

Subject to applicable law, we may periodically set a maximum or minimum price that you may advertise for products and services offered by your Salon. If we impose a maximum advertised price for any product or service, you may not advertise a higher price for the product or service than the maximum advertised price we impose. If we impose a minimum advertised price for any product or service, you may not advertise a lower price for such product or service than the minimum advertised price we impose. Further, you must comply with any advertising policy we adopt which may prohibit you from advertising any price for a product or service that is different than our suggested retail price.

**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.

| Provision | Section in Franchise Agreement | Summary |
|--|--|--|
| a. Length of the franchise term | Section 13.1 of the Franchise Agreement | Term expires 10 years after opening date of the Townhouse Salon. |
| b. Renewal or extension of the term | Sections 13.2 of the Franchise Agreement | One additional 10-year successor terms. |
| c. Requirements for you to renew or extend | Section 13.2 of the Franchise Agreement | Substantial compliance with Franchise Agreement during the term; notice; maintain or substitute Salon premises; remodel Salon; signing of then-current successor franchise agreement; release; pay successor fee equal to 50% of then-current initial franchise fee. If you seek to renew your franchise at the expiration of the initial term, you will be asked to sign a new franchise agreement that may contain terms and conditions materially different from those in your previous franchise agreement, such as different fee requirements. |
| d. Termination by you | Not applicable | Not applicable. Subject to state law. |
| e. Termination by us without cause | Not applicable | Not applicable |

| Provision | Section in Franchise Agreement | Summary |
|--|---|--|
| f. Termination by us with cause | Sections 14.1, 14.2 and 14.3 of the Franchise Agreement | Failure to open Townhouse Salon within specified time period; transfer in violation of the Franchise Agreement; material misrepresentation on application for a Townhouse Salon; breach of Franchise Agreement; and other grounds. |
| g. "Cause" defined – curable defaults | Sections 14.3 of the Franchise Agreement | Failure to open Townhouse Salon within specified time period or during required hours of operation; failure to successfully complete required training; unauthorized use of proprietary software; failure to comply with system standards; failure to pay amounts due to us or suppliers; and other breaches of Franchise Agreement. |
| h. "Cause" defined - non-curable defaults | Sections 14.1 and 14.2 of the Franchise Agreement | Bankruptcy; insolvency; fraud or unethical conduct; misuse of our Marks or confidential information; transfer in violation of the Franchise Agreement, material misrepresentation on application for a Townhouse Salon, failure to maintain required licenses or insurance; failure to satisfy Minimum Performance Standards, persistent breaches of the Franchise Agreement, abandonment of Salon business. |
| i. Your obligations on termination/ nonrenewal | Section 15 of Franchise Agreement | Cease use of Marks; payment of amounts due; cease operating Townhouse Salon, permit us to exercise option to acquire assets of business or de-identify Salon premises, and others. |
| j. Assignment of contract by us | Section 12.1 of Franchise Agreement | We may assign the Franchise Agreement without limitation. |
| k. "Transfer" by you – defined | Section 12.2 of Franchise Agreement | Includes transfer of any interest in your business entity, the Franchise Agreement, or the assets of the Salon. |
| l. Our approval of transfer by you | Section 12.6 of Franchise Agreement | Our consent to a transfer is not a waiver of any claims we have against |

| Provision | Section in Franchise Agreement | Summary |
|---|--|--|
| | | you. |
| m. Conditions for our approval of transfer | Section 12.3 of Franchise Agreement | Our approval of transferee; sign then-current franchise agreement; payment of transfer fee; correction of any deficiency notices; release; continued operation of Salon during sale process; and others. |
| n. Our right of first refusal to acquire your business | Section 12.8 of the Franchise Agreement | We have the right of first refusal to match any offer you receive for the purchase of your business. |
| o. Our option to purchase your business | Section 15.5 of the Franchise Agreement | We have the right upon termination or expiration to purchase all your assets from the Townhouse Salon at a purchase price equal to their fair market value. |
| p. Your death or disability | Section 12.5 of the Franchise Agreement | Your estate must transfer your interest in the Townhouse Salon to a third party we approve, within 12 months after death or disability. Your estate must appoint a manager within 15 days of death or disability. |
| q. Non-competition covenants during the term of the franchise | Section 8 of Franchise Agreement | Includes a prohibition on engaging in Competitive Business (defined in Section 8 of the Franchise Agreement), including any business that offers services that are similar to the services and products authorized to be offered or sold under the Marks and the System. This is subject to state law. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 15.4 of the Franchise Agreement | Includes a two-year prohibition on a Competitive Business at the Premises, within the Salon Protected Area, and within 5 miles of the border of the Salon Protected Area, or within the market area of any other Townhouse Salon. This is subject to state law. |
| s. Modification of the agreement | Section 17.11 of the Franchise Agreement | The Franchise Agreement may only be modified by written agreement signed by both parties. |
| t. Integration/merger clause | Section 17.14 of the Franchise Agreement | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to |

| Provision | Section in Franchise Agreement | Summary |
|---|--|---|
| | | applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | Section 17.5 of the Franchise Agreement | Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). This is subject to state law. |
| v. Choice of forum | Section 17.7 and 17.8 of the Franchise Agreement | We must litigate in the state and judicial district where we maintain our principal place of business, subject to state law. Currently, our principal business address is in Beverly Hills, California. (See notes below) |
| w. Choice of law | Section 17.6 of the Franchise Agreement | Delaware, subject to state law (See notes below) |

| Provision | Section in Area Development Agreement | Summary |
|--|--|--|
| a. Length of the franchise term | § 5.1 | Through the end of the Development Schedule, except that certain obligations will continue until the expiration of the last Franchise Agreement. |
| b. Renewal or extension of the term | Not Applicable | |
| c. Requirements for you to renew or extend | Not Applicable | |
| d. Termination by you | Not Applicable | |
| e. Termination by us without cause | Not Applicable | |
| f. Termination by us with cause | § 7 | Bankruptcy, insolvency, and other grounds; failure to meet Development Schedule; other breach of the Development Agreement. |
| g. "Cause" defined – curable defaults | § 7.3 and 7.6 | Defaults not specified in §§ 7.1 or 7.2, such as a material failure to |

| Provision | Section in Area Development Agreement | Summary |
|--|---------------------------------------|--|
| | | <p>comply with other agreement terms.</p> <p>A default under a Development Agreement is not a default under any Franchise Agreement executed pursuant to that Development Agreement, unless the basis for that default is independently set forth in the applicable Franchise Agreement. However, a default under a Franchise Agreement that was entered into pursuant to a Development Agreement is a default under the applicable Development Agreement.</p> |
| h. “Cause” defined - non-curable defaults | §§ 7.1 and 7.2 | <p>Bankruptcy, insolvency, and others; failure to meet Development Schedule; termination of a Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)</p> |
| i. Your obligations on termination/ nonrenewal | § 7.5 | <p>Cease operating developing new Townhouse Salons; and payment of amounts due, and others; see also § 7.4 (actions in lieu of termination, including modification of Development Area or Development Schedule).</p> |
| j. Assignment of contract by us | § 8.1 | <p>There are no limits on our right to assign the Development Agreement.</p> |
| k. “Transfer” by you – defined | §§ 8.3 | <p>Includes transfer of any interest in your developer entity or the Development Agreement.</p> |
| l. Our approval of transfer by you | §§ 8.4 | <p>We have the right to approve transfers.</p> |
| m. Conditions for our approval of transfer | § 8.4 | <p>Transferee meets our standards, you release us, you make an accompanying transfer of all operating Salons, signature of new Development Agreement, payment of transfer fee, and others; see §§ 8.4.1 - 8.4.10 of the Development Agreement.</p> |

| Provision | Section in Area Development Agreement | Summary |
|---|--|--|
| n. Our right of first refusal to acquire your business | § 8.5 | We have a right of first option. If you or one of your Principals plans to sell or transfer any material asset of the business or any material part (which changes control) of the entity which owns the business to a third party, you and/or the Principal must first offer the assets or interest to us under the same terms and conditions. If we do not wish to acquire the assets or interest, you and/or the Principal may then transfer them to the third party. |
| o. Our option to purchase your business | Not Applicable | See “n” above, and § 8.5. |
| p. Your death or disability | §§ 8.6, 8.7 and 8.8 | Your estate must transfer your interest in the business to a third party we have approved, within a year after death or six months after the onset of disability. |
| q. Non-competition covenants during the term of the franchise | § 9.2 | Includes prohibition on engaging in any business which is the same or similar to the Townhouse Salons that will be developed; see § 8 of the Franchise Agreement. |
| r. Non-competition covenants after the franchise is terminated or expires | § 9.3 | Includes a two year prohibition similar to “q” (above), at the Designated Location, within the Development Area, within ten miles of the Development Area or any other development area or Townhouse Salon then-operating under the System. |
| s. Modification of the agreement | § 14 | Must be in writing signed by both parties. |
| t. Integration/merger clause | §14 | Only the final written terms of the Franchise Agreement and Development Agreement are binding (subject to state law), but this provision will not act, or be interpreted, as a disclaimer of any representations made in this disclosure document. Any |

| Provision | Section in Area Development Agreement | Summary |
|---|---------------------------------------|--|
| | | representations or promises made outside of the disclosure document, Franchise Agreement and Development Agreement may not be enforceable. |
| u. Dispute resolution by arbitration or mediation | § N/A | Not applicable |
| v. Choice of forum | § 16.2 | You must litigate in the state and judicial district where we maintain our principal place of business (subject to applicable state law). |
| w. Choice of law | § 16.1 | Delaware (subject to applicable state law). |

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

ITEM 18. PUBLIC FIGURES

We do not use any public figures to promote our Franchise System. However, we may use public figures in the future.

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.

~~Other than the preceding financial performance representation, Townhouse Franchising, LLC does~~ We do not make any financial performance representations [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 Jessica Bouscarle, 611 South Dupont Highway Suite 102, Dover, Delaware 19901, (302) 546-5188, the Federal Trade Commission, and [the](#) appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For Years 2023 to 2025⁽¹⁾

| Outlet Type | Year | Outlets at the Start of the Year | Outlets at the End of the Year | Net Change |
|------------------------------|-------------|---|---------------------------------------|-------------------|
| Franchised | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 |
| Company-Owned ⁽²⁾ | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | +1 |
| | 2025 | 1 | 4 | +3 |
| Total Outlets | 2023 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | +1 |
| | 2025 | 1 | 4 | +3 |

1. The numbers are as of December 31st of each year.
2. “Company-Owned” Salons are operated by our affiliates; see Item 1.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2023 to 2025⁽¹⁾

| State | Year | Number of Transfers |
|---------------------------|-------------|----------------------------|
| All States ⁽³⁾ | 2023 | 0 |
| | 2024 | 0 |
| | 2025 | 0 |
| Total | 2023 | 0 |
| | 2024 | 0 |
| | 2025 | 0 |

1. The numbers are as of December 31st of each year.
3. Any state not listed in this or any other table had no activity for the years indicated.

Table No. 3
Status of Franchised Outlets
For Years 2023 to 2025⁽¹⁾

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations - Other Reasons | Outlets at End of the Year |
|------------|-------------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| All States | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Totals | 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

1. The numbers are as of December 31st of each year.

Table No. 4
Status of Company-Owned Outlets
For Years 2023 to 2025⁽¹⁾⁽²⁾

| State | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired From Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of Year |
|------------|-------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|------------------------|
| California | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 1 | 0 | 0 | 0 | 2 |
| New York | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2025 | 0 | 2 | 0 | 0 | 0 | 2 |
| Totals | 2023 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2024 | 0 | 1 | 0 | 0 | 0 | 1 |
| | 2025 | 1 | 3 | 0 | 0 | 0 | 4 |

1. The numbers are as of December 31st of each year.
2. These Salons are operated by our Affiliates; see Item 1. Our Affiliates opened 1 additional Townhouse Salon in California (July 2025) and 2 Townhouse Salons in New York (August 2025 and September 2025).

Table No. 5
Projected Openings as of December 31, 2025 (for the 2026 calendar year)

| State | Franchise Agreements Signed But Outlet Not Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year⁽¹⁾ |
|--------------|--|---|--|
| California | 0 | 0 | 0 |
| New York | 0 | 0 | 0 |
| Total | 0 | 0 | 0 |

1. Salons operated by our affiliates; see Item 1.

Exhibit D1 lists the names of all current franchisees and the addresses and telephone numbers of their Salons as of December 31, 2025.

Exhibit D2 also lists the name, city and state, and current business telephone number or the last known home telephone number of every franchisee who had a franchise agreement that was terminated, canceled or not renewed, or who otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the Franchise System.

Exhibit D3 lists the name, city and state and telephone numbers of all franchisees who have signed franchise agreements, but who have not yet opened a Salon as of December 31, 2025.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. 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.

As of the date of this franchise disclosure document, there are no Townhouse franchisee associations in existence regardless of whether or not they use our trademark.

ITEM 21. FINANCIAL STATEMENTS

Attached as Exhibit E to this Disclosure Document are our audited financial statements as of December 31, 2025. Because we began franchising in 2026 and we have not been in business for three years or more, we cannot include all the financial statements required by the FTC Rule. Our fiscal year ends on December 31.

ITEM 22. CONTRACTS

Attached to this Disclosure Document are the following Exhibits:

- A. State Addenda and Agreement Riders
- B. Franchise Agreement and Exhibits
- C. Area Development Agreement and Exhibits
- G. Sample of Release
- H. Franchisee Compliance Certification

ITEM 23. RECEIPTS

Attached as the last two pages of this Disclosure Document are duplicate Receipt pages to be signed by you. Keep one for your records and return the other one to us.

EXHIBIT A

STATE ADDENDA AND AGREEMENT RIDERS

**ADDITIONAL DISCLOSURES FOR THE
FRANCHISE DISCLOSURE DOCUMENT OF
TOWNHOUSE FRANCHISING, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Townhouse Franchising, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise registration and disclosure law applies to you.

CALIFORNIA

1. 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.

2. SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT OR AREA DEVELOPMENT AGREEMENT.

3. OUR WEBSITE, www.townhousebeauty.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT www.dfpi.ca.gov.

4. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliates nor any person in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

5. The following paragraph is added at the end of Item 8:

You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from us, from the franchisor's affiliates, or from 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.

6. The following paragraphs are added at the end of Item 17:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee and Area Developer concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement or Area Development Agreement contains a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement and Area Development Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

The Franchise Agreement and Area Development Agreement require application of the laws of the State of Colorado. This provision might not be enforceable under California law.

The Franchise Agreement contains a lost revenue damages clause. Under California Civil Code Section 1671, certain lost revenue damages clauses are unenforceable.

The Franchise Agreement and Area Development Agreement require binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator which is within a 50 mile radius of our then-current principal place of business (currently Denver, Colorado) with the costs being borne as provided in the Franchise Agreement and Area Development Agreement. Prospective franchisees and Area Developers are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement and Area Development Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires you to sign a general release of claims upon renewal or transfer of the Franchise Agreement, and the Area Development Agreement requires you to sign a general release of claims upon transfer of the Area Development Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

7. The following paragraph is added to the end of Item 19:

The earnings claims figures do not reflect the costs of sales, operating expenses or other costs or expenses that must be deducted from gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Townhouse franchise. Franchisees or former franchisees listed in the Franchise Disclosure Document may be one source of this information.

8. The Disclosure Document is supplemented by the following language.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the

inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

California's Franchise Investment Law (Corporations Code sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agent make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

Registration of this franchise does not constitute approval, recommendation, or endorsement by the Commissioner of the Department of Financial Protection and Innovation.

HAWAII

To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE FRANCHISE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS FRANCHISE DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

ILLINOIS

The State Cover Page of this disclosure document is amended by adding the following:

1. Any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside Illinois is void with respect to any action which is otherwise enforceable in Illinois, except that the Franchise Agreement may provide for arbitration outside Illinois. In addition, Illinois law will govern the Franchise Agreement.

2. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning non-renewal and termination of the Franchise Agreement. If the Franchise Agreement contains a provision that is inconsistent with the Act, the Act will control.
3. In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.
4. Illinois law shall apply to and govern the Franchise Agreement.
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 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.

6. [Item 5 Additional Disclosure:](#)

[Payment of the initial franchise fee and development fee are deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.](#)

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

MARYLAND

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

However, any release required as a condition of renewal, sale, and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

2. The following is added to the end of the “Summary” section of Item 17(h), entitled “‘Cause’ defined – non-curable defaults”:

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

3. The following sentence is added to the end of the “Summary” sections of Item 17(v) entitled “Choice of forum” and 17(w) entitled “Choice of law:”

You may bring suit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. The following language is added to the end of the chart in Item 17:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after the grant of the franchise.

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 any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

MINNESOTA

1. The following is added to the Disclosure Document:

Under Minnesota law and except in certain specified cases, we must give you 90 days' notice of termination with 60 days to cure. We also must give you at least 180 days' notice of its intention not to renew a franchise, and sufficient opportunity to recover the fair market value of the franchise as a going concern. To the extent that the Franchise Agreement is inconsistent with the Minnesota law, the Minnesota law will control.

To the extent that any condition, stipulation or provision contained in the Franchise Agreement (including any choice of law provision) purports 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 with the Minnesota Franchises law, such condition, stipulation or provision may be void and unenforceable under the nonwaiver provision of the Minnesota Franchises Law.

Minn Stat §80C 21 and Minn Rule 2860 4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Specifically, we cannot require you to consent to us obtaining injunctive relief; however, we may seek such relief through the court system.

Minn Rule 2860 4400J prohibits us from, requiring you to assent to a general release. To the extent that the Agreement requires you to sign a general release as a condition of renewal or transfer, the Franchise Agreement will be considered amended to the extent necessary to comply with Minnesota law.

Minn Stat §604 113 sets a cap of \$30 on fees to be paid to us if any check, draft, electronic or otherwise, is returned for insufficient funds.

2. ~~2.~~ The following paragraph is added to the 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 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.

3. Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business.

NEW YORK

To the extent the New York General Business Law, Article 33, §§680 - 695 applies, the terms of this Addendum apply.

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 F OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CAN NOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

With the exception of what is stated above, the following applies 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.

Item 5, Additional Disclosures.

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

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

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

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”:

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

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

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

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

7. ~~7.~~ Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earlier of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

NORTH DAKOTA

1. The following is added to the end of Note 23 in Item 6, entitled “Liquidated Damages”:

Under North Dakota law, a requirement that you consent to liquidated damages in the event of termination of the Franchise Agreement is considered unenforceable; however, we and you will enforce this provision to the maximum extent the law allows.

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

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. The following is added to the end of the “Summary” section of Item 17(r), entitled “Non-competition covenants after the franchise is terminated or expires”:

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

4. The “Summary” section of Item 17(u), entitled “Dispute resolution by arbitration or mediation” is deleted and replaced with the following:

To the extent required by the North Dakota Franchise Investment Law (unless such requirement is preempted by the Federal Arbitration Act), arbitration will be at a site to which we and you mutually agree.

5. The “Summary” section of Item 17(v), entitled “Choice of forum” is deleted and replaced with the following:

You must sue us in Denver, Colorado, except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.

6. The “Summary” section of Item 17(w), entitled “Choice of law” is deleted and replaced with the following:

Except as otherwise required by North Dakota law, the laws of the State of Colorado will apply.

7. The following paragraph is added to the 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 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. The State of North Dakota has determined that requiring franchisees to consent to termination penalties or liquidated damages to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination penalties or liquidated damages is deleted.](#)

9. The State of North Dakota has determined that parties agreeing to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business to be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business.

10. The State of North Dakota has determined that requiring franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. The State of North Dakota has determined that requiring a franchisee to consent to a limitation of claims to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is governed by North Dakota law.

12. Item 5, Additional Disclosure:

Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business.

RHODE ISLAND

1. The following language is added to the end of the “Summary” sections of Item 17(v), entitled “Choice of forum” and 17(w), entitled “Choice of law”:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

SOUTH DAKOTA

1. Item 5, Additional Disclosure: Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

VIRGINIA

1. The State of Virginia requires ~~the~~ that the following risk(s) be highlighted:

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 in a system with a longer operating history.

Financial Condition. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

Spousal Liability. Your spouse must sign a document that makes your spouse liable for all

financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$604,100 to \$859,700. This amount exceeds the franchisor's stockholder's equity as of December 31, 2025, which is \$58,619.

2. The following language is added to the end of the "Summary" section of Item 17(e), entitled "Termination by franchisor without cause":

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

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

**WASHINGTON ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT, THE
FRANCHISE AGREEMENT, THE DEVELOPMENT AGREEMENT, AND ALL RELATED
AGREEMENTS**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document, the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

1. **Conflict of Laws.** In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.
2. **Franchisee Bill of Rights.** RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.
3. **Site of Arbitration, Mediation, and/or Litigation.** In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. **General Release.** A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).
5. **Statute of Limitations and Waiver of Jury Trial.** Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
6. **Transfer Fees.** Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.
7. **Termination by Franchisee.** The franchisee may terminate the franchise agreement under any grounds permitted under state law.

8. **Certain Buy-Back Provisions.** Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.
9. **Fair and Reasonable Pricing.** Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).
10. **Waiver of Exemplary & Punitive Damages.** RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).
11. **Franchisor's Business Judgement.** Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.
12. **Indemnification.** Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.
13. **Attorneys' Fees.** If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.
14. **Noncompetition Covenants.** Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.
15. **Nonsolicitation Agreements.** RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
16. **Questionnaires and Acknowledgments.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise

relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

17. **Prohibitions on Communicating with Regulators.** Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

18. **Advisory Regarding Franchise Brokers.** Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

The undersigned parties do hereby acknowledge receipt of this Addendum.

Dated this _____ day of _____, 20_____.

Signature of Franchisor Representative

Signature of Franchisee Representative

Title of Franchisor Representative

Title of Franchisee Representative

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE SPECIFIC RIDERS TO THE
FRANCHISE AGREEMENT**

**ADDENDUM TO THE
FRANCHISE AGREEMENT
FOR USE IN HAWAII**

THIS ADDENDUM is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.
2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.
3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.
4. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.
5. This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Franchise Agreement occurred in Illinois and the Townhouse that you will operate under the Franchise Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS LAW.** The following paragraphs are added to the end of the Franchise Agreement and supersede any conflicting provisions in the Franchise Agreement:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State 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.

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

[Payment of the initial franchise fee and development fee are deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business. The deferral of the initial franchise fee is required by the Illinois Attorney General’s Office based on our financial statements.](#)

3. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Franchise Agreement:

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

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Townhouse that you will operate under the Franchise Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Sections 13.A. (“Your Right to Acquire a Successor Franchise”) and 12 (“Transfer”) of the Franchise Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **ACKNOWLEDGMENTS.** The following is added to the end of Section 17.M. (“Construction”) of the Franchise Agreement:

Lastly, all representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

4. **TERMINATION.** The following sentence is added to the end of Section 14.B.(20) (“Termination by Us”) of the Franchise Agreement:

We and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** The following is added to the end of Section 17.F. (“Arbitration”) of the Franchise Agreement:

This agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **CONSENT TO JURISDICTION/GOVERNING LAW.** The following sentence is added to the end of Section 17.G. (“Governing Law”) and Section 17.H. (“Consent to Jurisdiction”) of the Franchise Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATIONS OF CLAIMS AND CLASS ACTION BAR.** The following sentence is added to the end of Section 17.L. of the Franchise Agreement:

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

8. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Franchise Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Townhouse that you will operate under the Franchise Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Minnesota.

2. **RENEWAL AND TERMINATION.** The following is added to the end of Sections 1.A. (“Grant and Term of Franchise”) and Section 14.B. (“Termination by Us”) of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

3. **RELEASES.** The following is added to the end of Section 12.C.3 (“Conditions for Approval of Transfer”), Section 12.D. (“Transfer to a Wholly Owned Entity”), Section 13.A.5 (“Your Right to Acquire a Successor Franchise”), and Section 15.E. (“Our Right to Purchase Your Salon”) of the Franchise Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **MARKS.** The following sentence is added to the end of Section 5.E. (“Indemnification for Use of Marks”) of the Franchise Agreement:

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

5. **LIQUIDATED DAMAGES.** The following language is added to the end of Section 15.B. of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **GOVERNING LAW.** The following statement is added at the end of Section 17.G. of the Franchise Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

7. **CONSENT TO JURISDICTION.** The following language is added to the end of Section 17.H. of the Franchise Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

8. **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** If and then only to the extent required by the Minnesota Franchises Law, Section 17.I. (“Waiver of Punitive Damages and Jury Trial”) of the Franchise Agreement is deleted.

9. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 17.L. of the Franchise Agreement:

Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

10. **INJUNCTIVE RELIEF.** Section 17.J. of the Franchise Agreement is deleted in its entirety and modified as follows:

Nothing in this Agreement, including the provisions of Section 17.F., bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the Franchise System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). A court will determine if a bond is required.

11. **REMEDIES OF PARTIES ARE CUMULATIVE.** The following language is added to the end of Section 17.E. of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400(J). However, we and you agree to enforce the provision to the extent the law allows.

12. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Franchise Agreement:

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

13. **FEE DEFERRAL.** Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business.

~~{SIGNATURE PAGE FOLLOWS}~~

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Townhouse that you will operate under the Franchise Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in North Dakota.

2. **RELEASES.** The following is added to the end of Section 2.C. (“Relocation”), Section 13.A. (“Your Right to Acquire a Successor Franchise”), and Section 12 (“Transfer”) of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

3. **RESTRICTIVE COVENANTS.** The following is added to the end of Section 15.F. (“Covenant Not to Compete”) of the Franchise Agreement:

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

4. **LIQUIDATED DAMAGES.** The following language is added to the end of Section 15.B. of the Franchise Agreement:

[5. The State of North Dakota has determined that requiring franchisees to consent to termination penalties or liquidated damages to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Any reference or requirement that a franchisee consent to termination penalties or liquidated damages is deleted.](#)

~~We and you acknowledge that certain parts of this provision might not be enforceable under the North Dakota Franchise Investment Law. However, we and you agree to enforce the provision to the extent the law allows.~~

6. ~~5-~~**ARBITRATION.** The first paragraph of Section 17.F. of the Franchise Agreement is amended to read as follows:

“Except for injunctive relief and actions for amounts that you owe us, we and you agree that, except as set forth below, all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, affiliates, and employees), on the other hand, arising out of or related to:

- a. this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates);
- b. our relationship with you;
- c. the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section 17.F., which we and you acknowledge is to be determined by an arbitrator, not a court); or
- d. any System Standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the "AAA"). The arbitration proceedings will be conducted by 1 arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our then-current principal place of business (currently, Denver, Colorado); provided however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site at which we and you mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction."

[The State of North Dakota has determined that parties agreeing to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business to be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business.](#)

7. ~~6.~~ **GOVERNING LAW.** Section 17.G. of the Franchise Agreement is deleted and replaced with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Colorado without regard to its conflict of laws rules; except that (1) any law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your business is located.

8. ~~7.~~ **CONSENT TO JURISDICTION.** The following is added to the end of Section 17.H. of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

9. ~~8.~~ **WAIVER OF PUNITIVE DAMAGES AND JURY TRIAL.** If and then only to the extent required by the North Dakota Franchise Investment Law, Section 17.I. (“Waiver of Punitive Damages and Jury Trial”) of the Franchise Agreement is deleted.

10. ~~9.~~ **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Franchise Agreement:

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

11. The State of North Dakota has determined that requiring franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

12. The State of North Dakota has determined that requiring a franchisee to consent to a limitation of claims to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is governed by North Dakota law.

13. **FEE DEFERRAL.** Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

{signature page follows}

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Townhouse that you will operate under the Franchise Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in Rhode Island.

2. **CONSENT TO JURISDICTION / GOVERNING LAW.** The following language is added to the end of Sections 17.G. (“Governing Law”) and 17.H. (“Consent to Jurisdiction”) of the Franchise Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
FRANCHISE AGREEMENT
FOR USE IN SOUTH DAKOTA**

THIS RIDER is made and entered into by and between TOWNHOUSE FRANCHISING, LLC, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [FRANCHISEE], having its principal business address at [ADDRESS] (“Franchisee,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated _____ (the “Franchise Agreement”). This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in South Dakota and the Townhouse that you will operate under the Franchise Agreement will be located in South Dakota; and/or (b) any of the offering or sales activity relating to the Franchise Agreement occurred in South Dakota.

2. **FEE DEFERRAL.** Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE
STATE-SPECIFIC RIDERS TO THE
AREA DEVELOPMENT AGREEMENT**

**ADDENDUM TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN HAWAII**

THIS ADDENDUM is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. To the extent the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§482E-1 – 482E-12 applies, the terms of this Addendum apply.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Area Development Agreement.

3. Except as expressly modified by this Addendum, the Area Development Agreement remains unmodified and in full force and effect.

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

5. This Addendum is being entered into in connection with the Area Development Agreement. In the event of any conflict between this Addendum and the Area Development Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the parties have executed and delivered this Addendum on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

FRANCHISEE:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN ILLINOIS**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) any of the offering or sales activity relating to the Area Development Agreement occurred in Illinois and the Townhouses that you will operate and develop under the Area Development Agreement will be located in Illinois, and/or (b) you are domiciled in Illinois.

2. **ILLINOIS LAW.** The following paragraphs are added to the end of the Area Development Agreement and supersede any conflicting provisions in the Area Development Agreement:

Illinois law governs the agreements between the parties to this franchise.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State 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.

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

[Payment of the initial franchise fee and development fee are deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business. The deferral of the initial franchise fee is required by the Illinois Attorney General’s Office based on our financial statements.](#)

3. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Area Development Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MARYLAND**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Maryland, and/or (b) the Townhouses that you will operate and develop under the Area Development Agreement will be located in Maryland.

2. **RELEASES.** The following is added to the end of Section 6.B(6) (“Transfer”) of the Area Development Agreement:

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to any claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. **TERMINATION OF AGREEMENT.** The following sentence is added to the end of Section 7.A (“Events of Termination”) of the Area Development Agreement:

We and you acknowledge that certain aspects of this provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

4. **ARBITRATION.** The following is added to the end of Section 9.A (“Arbitration”) of the Area Development Agreement:

This agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

5. **CONSENT TO JURISDICTION / GOVERNING LAW.** The following sentence is added to the end of Section 9.B (“Governing Law”) and Section 9.C (“Consent to Jurisdiction”) of the Area Development Agreement:

You may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. 

You must bring any claims arising under the Maryland Franchise Registration and Disclosure Law within 3 years after we grant you the franchise.

7. **ACKNOWLEDGMENTS.** The following is added as a new Section 11 of the Area Development Agreement:

11. **ACKNOWLEDGMENTS.** Lastly, all representations requiring you to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability under the Maryland Franchise Registration and Disclosure Law.

8. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Area Development Agreement:

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

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN MINNESOTA**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Townhouses that you will operate and develop under the Area Development Agreement will be located in Minnesota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Minnesota.

2. **TERMINATION OF AGREEMENT.** The following is added to the end of Section 7.A of the Area Development Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice of non-renewal of this Agreement.

3. **RELEASES.** The following is added to the end of Section 6.B(6) (“Transfer”) of the Area Development Agreement:

Any release required as a condition of renewal, sale and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **GOVERNING LAW.** The following statement is added at the end of Section 9.B of the Area Development Agreement:

Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your right to any procedure, forum or remedies that the laws of the jurisdiction provide.

5. **CONSENT TO JURISDICTION.** The following sentence is added to the end of Section 9.C of the Area Development Agreement:

Notwithstanding the foregoing, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400(J) prohibit us, except in certain specified cases, from requiring litigation to be conducted outside of Minnesota. Nothing in this Agreement will abrogate or reduce any of your rights under Minnesota Statutes Chapter 80C or your rights to any procedure, forum or remedies that the laws of the jurisdiction provide.

6. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL, AND CLASS ACTIONS.** If and then only to the extent required by the Minnesota Franchises Law, Section 9.D of the Area Development Agreement is deleted.

7. **INJUNCTIVE RELIEF.** Section 9.E of the Area Development Agreement is deleted in its entirety and modified as follows:

Nothing in this Agreement, including the provisions of Section 9.A, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby). A court will determine if a bond is required.

8. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 9.F of the Area Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

9. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Area Development Agreement:

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

14. **FEE DEFERRAL.** Payment of the development fee is deferred until such time as the franchisor completes its initial obligations, and the first franchise is open for business.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN NORTH DAKOTA**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are a resident of North Dakota and the Townhouses that you will operate and develop under the Area Development Agreement will be located or operated in North Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in North Dakota.

2. **RESTRICTIVE COVENANTS DURING TERM.** The following is added to the end of Section 7.C(1) (“Non-Competition”) of the Area Development Agreement:

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

3. **RELEASES.** The following is added to the end of Section 6.B(6) (“Transfer”) of the Area Development Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.

4. **ARBITRATION.** The first paragraph of Section 9.A of the Area Development Agreement is amended to read as follows:

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective shareholders, officers, directors, agents, and employees, on the one hand, and you (and your owners, guarantors, Affiliates, and employees), on the other hand, arising out of or related to:

- (a) this Agreement or any other agreement between you and us;
- (b) our relationship with you;
- (c) the scope and validity of this Agreement or any other agreement between you and us or any provision of any of such agreements (including, but not limited to, the validity and scope of the arbitration obligations under this Section 9.A which we and you acknowledge is to be determined by an arbitrator, not a court); or
- (d) any System standard;

must be submitted for binding arbitration, on demand of either party, to the American Arbitration

Association. The arbitration proceedings will be conducted by 1 arbitrator and, except as this Section otherwise provides, according to the then-current Commercial Arbitration Rules of the American Arbitration Association. All proceedings will be conducted at a suitable location chosen by the arbitrator in or within 50 miles of our then-current principal place of business (currently, Denver, Colorado); provided, however, that to the extent otherwise required by the North Dakota Franchise Investment Law (unless such a requirement is preempted by the Federal Arbitration Act), arbitration shall be held at a site to which we and you mutually agree. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq.*). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The State of North Dakota has determined that parties agreeing to arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business to be unfair, unjust, or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business.

5. **GOVERNING LAW.** Section 9.B of the Area Development Agreement is deleted and replaced with the following:

All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et seq.*). Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other United States federal law, and except as otherwise required by North Dakota law, this Agreement, the franchise, and all claims arising from the relationship between us and you will be governed by the laws of the State of Colorado without regard to its conflict of laws rules; except that (1) any law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this section, and (2) the enforceability of those provisions of this Agreement which relate to restrictions on you and your owners' competitive activities will be governed by the laws of the state in which your Townhouse is located.

6. **CONSENT TO JURISDICTION.** The following is added to the end of Section 9.C of the Area Development Agreement:

Notwithstanding the foregoing, to the extent required by the North Dakota Franchise Investment Law, and subject to your arbitration obligations, you may bring an action in North Dakota for claims arising under the North Dakota Franchise Investment Law.

7. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS.** If and then only to the extent required by the North Dakota Franchise Investment Law, Section 9.D of the Area Development Agreement is deleted.

8. **LIMITATION OF CLAIMS.** The following is added to the end of Section 9.F of the Area Development Agreement:

The ~~statutes~~State of ~~limitations under~~ North Dakota ~~Law applies with respect to claims arising under~~has determined that requiring a franchisee to consent to a limitation of claims to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the

North Dakota Franchise Investment Law. [The limitation of claims period is governed by North Dakota law.](#)

9. **STATEMENTS, QUESTIONNAIRES, AND ACKNOWLEDGMENTS.** The following paragraph is added to the end of the Area Development Agreement:

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

{Signature Page Follows}

10. The State of North Dakota has determined that requiring franchisees to pay all costs and expenses incurred by the franchisor in enforcing the agreement to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, the prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

11. The State of North Dakota has determined that requiring a franchisee to consent to a limitation of claims to be unfair, unjust, and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The limitation of claims period is governed by North Dakota law.

12. **FEE DEFERRAL.** Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations, and franchisee is open for business.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT
FOR USE IN RHODE ISLAND**

THIS RIDER is made and entered into by and between **TOWNHOUSE FRANCHISING, LLC**, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in Rhode Island and the Townhouses that you will operate and develop under the Area Development Agreement will be located in Rhode Island; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in Rhode Island.

2. **GOVERNING LAW / CONSENT TO JURISDICTION.** The following is added at the end of Sections 9.B (“Governing Law”) and 9.C (“Consent to Jurisdiction”) of the Area Development Agreement:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that “a provision in a[n Area Development Agreement] restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this act.” To the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

IN WITNESS WHEREOF, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Area Development Agreement.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

**RIDER TO THE
AREA DEVELOPMENT AGREEMENT
FOR USE IN SOUTH DAKOTA**

THIS RIDER is made and entered into by and between TOWNHOUSE FRANCHISING, LLC, a Delaware limited liability company with our principal business address at 611 South Dupont Highway Suite 102, Dover, Delaware 19901 (“Franchisor,” “we,” “us,” or “our”) and [DEVELOPER], having its principal business address at [ADDRESS] (“Developer,” “you,” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated _____ (the “Area Development Agreement”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in South Dakota and the Townhouses that you will operate and develop under the Area Development Agreement will be located in South Dakota; and/or (b) any of the offering or sales activity relating to the Area Development Agreement occurred in South Dakota.

2. **FEE DEFERRAL.** Payment of the initial franchise fee is deferred until such time as the franchisor completes its initial obligations and franchisee is open for business.

FRANCHISOR:
TOWNHOUSE FRANCHISING, LLC

DEVELOPER:
[NAME OF INDIVIDUAL OR ENTITY]

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

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

EXHIBIT B
FRANCHISE AGREEMENT



TOWNHOUSE FRANCHISING, LLC
SALON FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

**SALON PROTECTED AREA & SALON
ADDRESS**

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TOWNHOUSE FRANCHISING, LLC
SALON FRANCHISE AGREEMENT

THIS SALON FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the [REDACTED] day of [REDACTED], 20[REDACTED] (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between **Townhouse Franchising, LLC**, a Delaware limited liability company located at _____ (“**Franchisor**” or “**Townhouse**”), and _____, a _____ whose principal business address is _____ (“**Franchisee**”). “Franchisor” and “Franchisee” are each a “Party,” and collectively are “Parties.”

PREAMBLES AND BACKGROUND

A. Franchisor and its Affiliates, as a result of the expenditure of time, skill, and effort have developed (and continue to develop and modify) a system relating to the operation of high quality, luxury experience nail salons, using the Know-How as set out in the Manual or otherwise communicated to franchisees (the “**System**”).

B. These nail salon businesses operate under the “Townhouse®” name and Marks (defined below) and the System (“**Townhouse Salon**”). The Townhouse Salons and System have distinctive characteristics which currently include, without limitation, bespoke salon design, offering clients a chic yet welcoming nail care experience, blending cutting edge technology with seamless service, and a commitment to hygiene, professionalism, and flawless results, provided with proprietary business formats, methods, procedures, standards, and specifications, all of which Franchisor may change, improve, and further develop from time to time.

C. Franchisor and its Affiliates use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark “Townhouse®” in operating Townhouse Salons, which have gained and will continue to gain public acceptance and goodwill, and Franchisor may create, use, and license other trademarks, service marks, and commercial symbols for Townhouse Salons (collectively, the “**Marks**”). Marks includes the Marks described in Section 1.1 below.

D. Franchisor grants to persons who meet its qualifications, and are willing to undertake the investment and effort, a franchise to own and operate one or more Townhouse Salons using Franchisor’s System and Marks.

E. Franchisee, or an Affiliate of Franchisee, has executed a Townhouse Area Development Agreement dated [REDACTED], 20[REDACTED] (the “**ADA**”), and such party shall be referred to “Developer,” pursuant to which Developer has been granted the right, and accepted the obligation, to develop, either itself or through one of its Affiliates, a specified number of franchised Townhouse Salons, each to be operated pursuant to a separate franchise agreement.

F. Pursuant to the ADA, Franchisee has applied for a license to own and operate a Townhouse Salon at the location identified on Exhibit A (the “**Site**”), and in the area identified in Exhibit A (the “**Salon Protected Area**”). Franchisee must operate the Salon in compliance with this Agreement and all System Standards and Minimum Performance Standards (as defined below in Section 9.18) in order to maintain the high and consistent quality that is critical for Townhouse Salons.

NOW, THEREFORE, the Parties, in consideration of the undertakings and commitments of each Party to the other Party as set forth herein, hereby agree as follows:

1. DEFINITIONS

1.1 The following terms used in this Agreement shall have the meanings as follows:

“**Additional Support**” means additional support and troubleshooting with substantial or continual or periodic operational, business or customer service issues;

“**Adverse Change of Law**” means the adoption, promulgation, modification or reinterpretation of any Legal Requirement by any Relevant Authority after the Commencement Date which action materially and adversely affects either Party’s ability to enjoy the economic benefits of this Agreement or to enforce its rights hereunder. An Adverse Change of Law does not constitute a Force Majeure Event;

“**Affiliate**” or **Affiliates**” means in relation to a Party, any person directly or indirectly Controlling, Controlled by or under common Control with that Party;

“**Applicable Data Protection Law**” means all Legal Requirements applicable (in whole or in part) to a Party’s Processing of Personal Data under or in connection with this Agreement including, as applicable data protection laws of the United States, EU Data Protection Law, and UK Data Protection Law.

“**Audit**” and “**Audit Failure**” has the meaning given in Section 9.2.1;

“**Booking Platform**” means the software architecture specified by Townhouse in the Manual or otherwise in writing, for, amongst other things, the taking of, management of and charging for customer bookings for the Products and Services. This may include one or more software packages and/or payment processing platforms which may be substituted, added to and varied at Franchisor’s election. At the Commencement Date, the Booking Platform consists of third party software Zenoti and Stripe, in addition to custom Townhouse Software and the Booking Platform is part of the Computer System;

“**Business**” means the business operated at the Salon using the System, the Marks and the Trade Dress in a manner that has been developed and specified by Townhouse;

“**Business Day**” means a day, other than a Saturday, Sunday, or a federal United States holiday;

“**Business Judgment**” has the meaning given in Section 17.13;

“**Business Plan**” means the business plan for Franchisee’s Business which is prepared (and updated from time to time) by Franchisee and approved by Townhouse in accordance with Section 9.2;

“**Commencement Date**” is the date indicated on the Operating Certificate on which Franchisee is authorized to, and must, open for business.

“**Competing Business**” means any business that offers (or grants franchises or licenses) to others to operate a business that offers or provides) the same as or similar products and services to those provided by a Townhouse Salon, including a business which derives or is reasonably expected to derive in any rolling twelve-month period twenty percent (20%) or more of its aggregate gross revenue from sales of nail related products or services;

“**Computer System**” is defined in Section 3.3;

“**Confidential Information**” is defined in Section 7;

“**Contact Address**” means the mailing and email addresses for the Parties as set out in Exhibit A;

“**Control**” means in relation to either Party, (i) direct or indirect beneficial ownership of more than 50% of the issued share capital, stock or other participating interest carrying the right to vote of that Party or (ii) the right to appoint the majority of the directors of that Party or (iii) the right to direct the conduct of the affairs of that Party and “**controlled**” and “**controlling**” shall have a corresponding meaning;

“**Copyright Materials**” means the Manual, the Townhouse Software, Townhouse’s intranet and website, any designs and photographs and all other documents supplied by Townhouse to Franchisee;

“**Core Equipment**” means Equipment which is essential to operation of the Salons and to the reputation of the Marks and presentation of the Salons as detailed in the Manual, and which must be purchased from Townhouse or one of Townhouse’s approved or designated suppliers;

“**Core Products**” means those Products which are essential to the operation of the Salons and to the reputation of the Marks and presentation of the Salons as detailed in the Manual, and which must be purchased from Townhouse or one of Townhouse’s approved or designated suppliers and, as detailed in the Manual, offered to sale for customers of the Salons;

“**CPI**” means the Consumer Price Index published by the U.S. Bureau of Labor Statistics, or such other index as replaces it;

“**Customer Data**” means all contact (including name, telephone numbers, e-mail and postal addresses), transactional and behavioural (including purchasing patterns and/or preferences) information collected by Franchisee in the course of Franchisee’s Business, including that relating to customers of Franchisee’s Business;

“**Designated Representative**” means the person identified on Exhibit A, or such replacement as approved by Townhouse;

“**Equipment**” means the fixtures, fittings, and equipment (including Core Equipment), Townhouse Hardware, Townhouse Software, and other materials and items which from time to time Townhouse requires Franchisee to use in the establishment and operation of Franchisee’s Business which are detailed in the Manual;

“**EU Data Protection Law**” means:

- (a) all EU Legal Requirements applicable (in whole or in part) to the Processing of Personal Data (such as Regulation (EU) 2016/679 (the “**GDPR**”));
- (b) the Legal Requirements of each EEA member state implementing any EU directive applicable (in whole or in part) to the Processing of Personal Data (such as Directive 2002/58/EC); and

- (c) any other Legal Requirements of each EEA member state applicable (in whole or in part) to the Processing of Personal Data;

“Effective Date” means the date first set forth above.

“Force Majeure Event” means any material event or circumstance not in existence on the Commencement Date beyond the reasonable control of either Party including: civil commotion, terrorist attack, blockade, embargo or armed conflict; fire, explosion, storm, lightning, flood, drought or other extreme weather conditions, earthquake, subsidence or other natural physical disaster or nuclear, chemical or biological contamination; epidemic or pandemic; or governmental action directly impacting and rendering a Party unable to perform its obligations under this Agreement;

“Franchisee’s Business” means Franchisee’s business of opening and operating the Townhouse Salon under this Agreement;

“Franchisee’s Owners” are identified in Exhibit B;

“Guarantor” means the person, people, or entity approved by Townhouse and identified on Exhibit D, who will execute the “Guaranty and Assumption of Obligation” at Exhibit D;

“Improvements” means new and improved methods of carryout the Business and improvements in the System, Know-How or operating procedures and other additions or modifications to the Products or Business;

“Incapacitated” means that a person is unable due to physical or mental incapacity or ill health to comply with its obligations in connection with this Agreement or the Guarantee for a period greater than six (6) months or for periods which are collectively of more than ninety (90) days in a consecutive twelve (12) month period;

“Initial Franchise Fee” means forty thousand dollars (\$40,000).

“Initial Term” has the meaning set forth in Section 13.1.

“Insolvency Event” in relation to any party means:

- (a) the filing of a bankruptcy petition under the United States Bankruptcy Code; or
- (b) any step being taken towards winding up, dissolution or striking off, and/or the appointment of a liquidator (otherwise than in furtherance of any scheme for solvent amalgamation or solvent reconstruction) or administrator, receiver, receiver and manager, administrative receiver or, in each case, a similar officer; or
- (c) an administrator, liquidator, receiver and manager or administrative receiver being appointed; or
- (d) any step being taken towards the making of a bankruptcy order in the case of an individual; or
- (e) if it becomes unable to pay its debts as they fall due, or its liabilities outweigh its assets, taking into account actual, contingent and prospective liabilities; or

- (f) any encumbrance over or affecting any material part of its assets or undertaking being enforced; or
- (g) any composition in satisfaction of, or moratorium in respect of, its debts or any scheme of arrangement or compromise between it and a creditor or its creditors or any class of its creditors being put in place; or
- (h) any event or circumstance analogous to any of those listed above in any jurisdiction;

“Intellectual Property Rights” means patents, utility models, inventions, trade marks, service marks, the Marks, domain names, business names, and trade dress and designs; copyright and related rights (including copyright in software and computer algorithms); database rights; know-how and trade secrets; and all other intellectual and industrial property rights which subsist or will subsist now or in the future in any part of the world, whether registered or not or capable of registration or not, including: all applications for and the right to apply for, claim priority and be granted any such rights; any renewals, extensions or restorations, and divisional, continuation and reissued applications of any such rights;

“Key Staff” means the designated manager for the Salon, or as otherwise updated by Townhouse from time to time;

“Know-How” means Townhouse’s secret substantial and identified knowledge of and expertise in operating the Business developed over a period of time;

“Knowledge” means that the party to which the statement is attributed is actually aware of the particular fact or other matter to which the statement refers. In determining whether a party has the Knowledge referred to it shall be deemed to know anything that is known to any of its directors, officers, or its general manager or financial controller;

“KPIs” means the key performance indicators, set out in the Manual, used by Townhouse to measure Franchisee’s compliance with the System;

“Lease” means the lease or underlease (as appropriate) of the Salon;

“Legal Requirement” means any authorization or any law, statute, ordinance, rule, regulation, direction, code of conduct, requirement, judgement or other measure of any Relevant Authority from time to time in force (whether or not legally binding) that may be applicable to this Agreement or to Franchisee’s Business and Franchisee’s legal capability to carry on Franchisee’s Business in the Salon Protected Area, or in the case of Franchisor, its business and its legal capacity to carry on its business, and the operation thereof, including those relating to Franchisee’s legal constitution, memorandum of incorporation, articles of association, Intellectual Property Rights, employees, zoning, building, health, safety and environmental matters, e-commerce and distance selling regulations, advertising regulations and industry codes of conduct and consumer protection regulations;

“Loss” means all direct or indirect losses (including any loss of profit, consequential loss, loss of business, and like loss), damages (including any sum paid to compromise or settle a third party claim), liabilities, accounts of profits, actions, claims, demands, proceedings, judgments, settlements, penalties, sanctions, fines, costs and expenses calculated on a full indemnity basis (including legal and other professional costs and expenses, internal management costs and the costs of enforcements and the cost of investigating and defending any claims) and interest;

“**Manual**” means the operating manual, appendices and associated documents, issued or made available by, and as updated by, Townhouse from time to time, which shall contain full details of the System and the operation of the Business, including both required and recommended practices, policies, and guidelines, policies and procedures relating to various aspects of the Business, including the use of the Marks, advertising and promotional activities, Townhouse’s legal compliance policies and guidelines (including those relating to anti-bribery and anti-money laundering, whistleblowing, public relations and tax evasion, codes of ethical and environmental or other conduct and procurement policies);

“**Marketing Fee**” means a sum equivalent to two percent (2%) of Franchisee’s Net Revenue payable to Townhouse;

“**Marketing Launch Fee**” means a one-time fee of ten thousand dollars (\$10,000) which shall be payable upon opening each Salon;

“**Mark(s)**” means the trademarks described below, together with any additional or substitute trademarks which Townhouse shall from time to time deem suitable or necessary for the Salon Protected Area;

| Mark | U.S. Registration No. | Registration Date | Next Renewal Date |
|-----------|-----------------------|-------------------|-------------------|
| TOWNHOUSE | 7683049 | February 11, 2025 | February 11, 2035 |

“**Material Breach**” means if Franchisee breaches, neglects or fails to satisfy, perform or observe any provision of this Agreement, or commits a material breach of the Manual or any ancillary agreements in Townhouse’s sole opinion, acting reasonably; including those set forth in Section 14;

“**Minimum Performance Standards**” means the minimum performance standards detailed in Section 9.19;

“**Network**” means Townhouse, its company-operated and Affiliates-operated Townhouse Salons and other businesses, its Affiliates and other third parties directly or indirectly authorized by it to use the System, including Franchisee, and other franchisees;

“**Net Revenue**” means all gross sums received by Franchisee, including, but not limited to, the sale of treatments, event revenue, drinks and ancillaries, cancellation and no show fees collected from customers, the sale value of gift cards which are to be recorded at the point of sale, the sale of memberships, treatment series and other similar offerings (which are to be recorded as revenue as funds are received) from customers in the conduct of Franchisee’s Business at the Salon(s) less bona fide discounts, tips and gratuities payable directly to staff, sales tax , including any assumed Net Revenue received in replacement of actual Net Revenue pursuant to any loss of profits or business interruption insurance claims in the event of a claim being made under such a policy or where awarded pursuant to damages or settlement. Revenues shall not be reduced by credit card commissions, delivery charges, or other charges incurred by Franchisee. For the avoidance of doubt, Net Revenue shall not include the value of retail products sold in store nor treatments that are delivered via loyalty points, gift card redemptions, membership and treatment series redemptions, with a true-up mechanism relating to these and similar items as detailed in the Manual;

“**Notice**” has the meaning given in Section 18 and on Exhibit A;

“**Online Sites**” has the meaning as defined in Section 10.6;

“**Operating Assets**” has the meaning as defined in Section 3.2.3;

“**Operating Certificate**” means the certificate described in Section 3.2;

“**Operative Period(s)**” means in respect of the first Operative Period a twelve (12) month period commencing on the Commencement Date and in respect of each successive Operative Period each twelve (12) month period thereafter;

“**Persistent Breach**” means that Townhouse has given Franchisee Notice of the same breach of this Agreement or a requirement in the Manual, at least twice in any two (2) consecutive fiscal quarters, or the same breach at least three (3) times in any rolling eighteen (18) month period; or four (4) or more breaches, of any kind, within any rolling twenty-four (24) month period;

“**Pre-Contractual Statement**” means any and all written or oral pre-contractual statements or misstatements, agreements, financial statements, investment or profit projections, representations, misrepresentations, warranties, assurances, undertakings, understandings, inducements or promises made innocently or negligently by any person (whether or not a Party to this Agreement);

“**Products**” means the range of products authorized by Townhouse for sale or use in Franchisee’s Business, including Core Products, as detailed in the Manual;

“**Quarter**” means each calendar quarter in a Year, commencing January 1, April 1, July 1, October 1;

“**Rate Card**” means the standard per diem or hourly rates for Townhouse’s employees or sub-contractors who provide training and other services, as set out in the Manual;

“**Relevant Authority**” means any international, national, state, or local governmental or regulatory body (including a security commission or stock exchange), authority, agency, court or tribunal, in any part of the world;

“**Reserved Channels**” means:

- (a) physical locations within the following retail channels: arenas, casinos, convention centers, airports, railway stations, ports and other travel hubs, hotels, movie theaters, health clubs, hospitals, military bases, educational campuses, grocery stores, spas, and similar environments, as well as other locations within another business or dependent upon one main business or organization as its primary trade generator, normally with limited access to the general public and a limited trade area, usually in relation to its primary trade generator;
- (b) the sale of products to any customer other than in a Salon;
- (c) any other channel, service, or consultancy offering or retail method of any kind other than the operation of a Salon.

“**Restricted Areas**” means the areas set forth in Exhibit A in which no franchisees in the Network (including Franchisee) shall be permitted to open a Salon;

“**Salon(s)**” means a Townhouse branded nail salon, being a bricks and mortar nail salon at a dedicated standalone premises whose primary focus is the provision of nail treatments offering the Services under the System, located at the Site approved by Townhouse and operated by Franchisee under this Agreement;

“**Salon Protected Area**” means the following protected radius of the Salon, in which Townhouse shall not be entitled to open or permit another party to open a salon under the Marks and the System: (a) 0.25 miles for a Salon that is located within the city perimeter of an incorporated city or similar high density location; (b) 0.5 miles for all other Salons; provided, however, that the specific Salon Protected Area for this Salon operating under this Agreement is set forth in Exhibit A; and provided further that if this Agreement is entered into pursuant to an Area Development Agreement the Salon Protected Area shall not in any event extend beyond the borders of the Development Area defined in the Area Development Agreement.

“**Service Fee**” means a monthly service fee in a sum equivalent to the percentage of the monthly Net Revenue of Franchisee’s Business as set forth in Exhibit A;

“**Services**” means the services specified in the Manual which Franchisee shall make available to customers in each Salon in addition to the sale of the Products;

“**Site**” means a site identified by Franchisee and submitted to Townhouse for approval to become the Salon;

“**Step-in Reimbursement Fee**” means Townhouse’s applicable fee for the provision of a manager calculated on the manager’s annual salary (plus benefits) plus their Travel and Subsistence Expenses;

“**System**” has the meaning set forth in the Background;

“**System Standards**” means Franchisor’s requirements for appearance, operation, and maintenance of the Salon in conformity with the System, Know-How, and Manual as further described in Section 9.

“**Tax**” means all forms of taxation and statutory, governmental, state, federal, provincial, local or municipal charges, duties, imposts, contributions, levies, deductions, withholdings or liabilities wherever chargeable and whether of the US or any other jurisdiction;

“**Townhouse Group Existing Salon Perimeter**” means the following protected radius of each Townhouse salon operated by Franchisor or one of its Affiliates, in which no other franchisee in the Network (including Franchisee) shall be entitled to open a salon:

- (a) 0.25 miles for salons located within the city perimeter of an incorporated city or similar high density locations;
- (b) 0.5 miles for all other salons;

“**Townhouse Hardware**” means the IT Equipment authorized by Townhouse for use in Franchisee’s Business and as detailed in the Manual from time to time;

“Townhouse’s Intellectual Property Rights” means all Intellectual Property Rights directly or indirectly relating to the Business (including all right title and interest in and to the Marks, all copyright in the Copyright Materials and the Customer Data, and any Confidential Information contained within them) and all goodwill connected with them (including the goodwill associated with and symbolized by the Marks);

“Townhouse Software” means the IT software authorized by Townhouse for use in Franchisee’s Business and as detailed in the Manual from time to time, and is part of the Computer System;

“Trade Dress” means Townhouse’s distinctive color schemes, layout and designs as amended by it at its sole discretion from time to time;

“Travel and Subsistence Expenses” means all of Townhouse’s reasonable expenses or those of its nominees which are incurred in relation to visits to the Salons in accordance with this Agreement, and which shall include travel (inbound and outbound), accommodation (which will be international four-star standard or above) and subsistence costs as set out in an itemised invoice from Townhouse or its nominees;

“UK Data Protection Law” means:

- (a) the GDPR as it forms part of UK Legal Requirements by virtue of section 3 of the European Union (Withdrawal) Act 2018;
- (b) the Data Protection Act 2018;
- (c) the Privacy and Electronic Communications (EC Directive) Regulations 2003 as they continue to have effect by virtue of section 2 of the European Union (Withdrawal) Act 2018; and
- (d) any other Legal Requirements in force in the UK from time to time applicable (in whole or in part) to the Processing of Personal Data;

“Undertaking of Confidentiality and Non-Competition” means Townhouse’s standard form of undertaking as issued by Townhouse from time to time;

“Year” means a twelve (12) month period beginning January 1.

1.2 Interpretation

In this Agreement, unless the context clearly indicates another intention:

- (a) a reference to any gender includes other genders and the singular includes the plural and vice versa;
- (b) any reference to a person includes any individual, legal person, trust, partnership, association or unincorporated body, or Relevant Authority (whether or not having a legal personality);
- (c) any reference to a Section, Exhibit, or Schedule is a reference to a Section of, or an Exhibit to or Schedule this Agreement. The Schedules, Exhibits, and Background to this

Agreement form part of this Agreement and any reference to this “Agreement” includes the Schedules, Exhibits, and Background;

- (d) obligations undertaken by more than a single person are joint and several obligations;
- (e) any reference to any legislation is a reference to that legislation and any subordinate legislation made under it as amended, extended or re-enacted from time to time after the Effective Date;
- (f) a reference to this Agreement or any other agreement or document is a reference to this Agreement or such other agreement or document as varied, supplemented, restated, renewed, novated or replaced from time to time;
- (g) “writing” or “in writing” means the representation of words, in English and capable of being read with the naked eye, on paper or in similar hard copy form or in an electronic form which enables the recipient to retain a copy;
- (h) In calculating a number of days, if the last day falls on a Saturday or a Sunday or on a United Kingdom holiday, the last day will be the next succeeding day which is not a Saturday, Sunday, or a United States holiday;
- (i) all references to “paragraphs” in the Schedules or Exhibits are references to paragraphs in that specific Schedule or Exhibit unless otherwise stated;
- (j) the words “include”, “includes”, “including” and “such as” are to be construed as if they were immediately followed by the words “without limitation”; and
- (k) “indemnifying” a person in respect of a matter includes paying that person within five (5) Business Days on demand an amount equal to all Loss made or incurred by that person in connection with that matter (and “indemnity” and “indemnify” shall be construed accordingly).

1.3 Headings. In this Agreement, the headings, sub-headings and marginal notes are for convenience only and will not affect the construction of this Agreement.

2. GRANT OF FRANCHISE; SALON PROTECTED AREA

2.1 Grant of Franchise

Subject to this Agreement’s terms, Franchisor grants Franchisee the right and license to operate a Townhouse Salon (the “**Salon**”) in the Salon Protected Area during the Initial Term (unless terminated early pursuant to this Agreement). Franchisee hereby accepts agrees at all times to perform its obligations under this Agreement at all times faithfully, honestly, and diligently, and to use its best efforts to promote the Salon. The Site for the Salon, identified by Franchisee and approved by Townhouse pursuant to the ADA, is identified on Exhibit A.

2.2 Salon Protected Area Rights

Before this Agreement is executed, Franchisor will describe the Salon Protected Area in Exhibit A. Except as provided for by Sections 2.3, 2.4, and 2.6, and provided that Franchisee is in full compliance with this Agreement, Franchisor and its Affiliates will not operate or grant a franchise or license for the operation

of another Townhouse Salon at a location within the Salon Protected Area, or such a franchise or license for a Townhouse Salon that is granted with a protected area or territorial rights similar to those under this Agreement, that overlaps with any part of the Salon Protected Area, during the Initial Term of this Agreement.

2.3 Franchisor's Reserved Rights

Except as expressly limited by Section 2.2 above, Franchisor and its Affiliates retain all rights with respect to Townhouse Salons, the System, the Marks, the sale of similar or dissimilar services, and any other activities Franchisor deems appropriate whenever and wherever Franchisor desires, including, but not limited to:

(1) The operation of the Townhouse Salons and similar businesses in the Reserved Channels, and the right to operate, and to grant others the right to operate, Townhouse Salons and similar businesses under different names or marks with physical locations located anywhere regardless of proximity to the Site or the Salon Protected Area;

(2) the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services through similar or dissimilar channels of distribution, at any locations inside or outside the Salon Protected Area on any terms and conditions Franchisor deems appropriate;

(3) the right to acquire the assets or ownership interests of one or more businesses that operate and/or have granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with Townhouse Salons, and/or the right to be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a person, business, or entity that operates or franchises a Competing Business, or by another business, even if such business operates, franchises and/or licenses Competitive Businesses in the Salon Protected Area; and if Franchisor or one of its Affiliates acquire, or are acquired by, such a Competing Business or chain, Franchisor or its Affiliates, or the person or entity that acquires Franchisor, may establish or grant franchises or licenses to establish new or additional Competing Businesses under the acquired or acquiring chain's marks in Franchisee's Salon Protected Area, and it is expressly acknowledged by Franchisee and Franchisor that any such business operations of the same or similar business that existed or operated at the time of such acquisition or transaction shall not constitute a breach of Section 2.2;

(4) the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Townhouse Salons, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Salon Protected Area; and

(5) all rights to the Marks, the System, and the advertisement, offer, or sale of Townhouse Salon services in the metaverse.

2.4 Modification of System

Franchisee understands and agrees that Franchisor may operate and change the System (including the System Standards as described in Section 9.14) and the Manual in any manner that is not expressly and specifically prohibited by this Agreement. Franchisee acknowledges and agrees that Franchisor specifically reserves the right and privilege, as Franchisor considers to be best, to vary certain terms and conditions for other franchisees or other franchised Townhouse Salons, except for changes to Minimum Performance

Standards, based upon the peculiarities of any condition that Franchisor considers important to the franchisee's or Townhouse Salon's operation. Franchisee may request that Franchisor grant Franchisee a variation or accommodation, but Franchisor will have no obligation to do so.

2.5 Corporation, Limited Liability Company, or Partnership

If Franchisee is at any time a corporation, limited liability company, or general or limited partnership (collectively, an “**Entity**”), Franchisee agrees and represents that:

(1) Franchisee will have the authority to execute, deliver, and perform its obligations under this Agreement and all related agreements and is duly organized or formed and validly existing in good standing under the laws of the state of its incorporation or formation;

(2) Franchisee will not alter, change, or amend its organizational documents, operating agreement, or partnership agreement, as applicable, without obtaining Franchisor's approval;

(3) Franchisee's organizational documents, operating agreement, partnership agreement, or stock certificates, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in Franchisee, and all certificates and other documents representing ownership interests in Franchisee will bear a legend referring to this Agreement's restrictions;

(4) Exhibit B to this Agreement completely and accurately describes all owners and their interests in Franchisee as of the Effective Date;

(5) Each of Franchisee's owners holding over ten percent (10%) ownership interest during the Initial Term must execute a guaranty in the form Franchisor prescribes undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between Franchisee and Franchisor. Franchisor's current form of guaranty is at Exhibit D. Subject to Franchisor's rights and Franchisee's obligations under Section 12, Franchisee and its owners agree to sign and deliver to Franchisor a revised Exhibit B to reflect any permitted changes in the information that Exhibit B now contains;

(6) Developer, which is an Affiliate of Franchisee, will appoint a shareholder, member, or partner, as applicable, to be its “Designated Representative,” responsible for overseeing and supervising the operation of the Salon. The Designated Representative, as of the Effective Date, is identified in Exhibit A and Exhibit B. The Designated Representative will be the person with whom Franchisor will communicate on all major policy, financial, management and operational matters, and the only person from Franchisee's Entity that Franchisor will recognize as having authority to communicate for and on Franchisee's behalf and on behalf of Franchisee's Entity. Neither Developer nor Franchisee may change the Designated Representative without Franchisor's prior written consent; and

(7) The Salon and other Townhouse Salons, if applicable, will be the only businesses that the Entity may operate, and Franchisee's organizational documents must reflect this (although the owners in the Entity may have other business interests subject to any restrictions on Competing Businesses in Section 8 or Section 15.4).

3. OPENING OF SALON, SITE APPROVAL, LEASE OF SITE, AND DEVELOPMENT

3.1 Site Approval

(1) Franchisee must operate the Salon from an approved Site within the Salon Protected Area as identified in Exhibit A. Unless otherwise agreed, Franchisee shall use the services of Franchisor's nominated real estate broker to support Franchisee in identifying a location for the Salon. As required under the ADA, Franchisee was responsible for finding and selecting the Site, Franchisee agrees that it shall not sign any lease, sublease, or other document for the Site without Franchisor's prior consent. Franchisee may operate the Salon only from the Site.

(2) Franchisee acknowledges and agrees that, if Franchisor recommended or recommends or gives Franchisee information regarding the Salon Protected Area, or a potential Site, and if Franchisor approves or has approved a Site, whether under the ADA or this Agreement, its advice, action, or information is not a representation or warranty of any kind, express or implied, of the location's suitability for a Townhouse Salon or any other purpose. Franchisor's recommendation indicates only that Franchisor believes that the Site meets Franchisor's then-acceptable criteria. Applying criteria that have appeared effective with other locations might not accurately reflect the potential for all areas and premises, and demographic and/or other factors included in or excluded from Franchisor's criteria could change, altering the potential of a potential site. The uncertainty and instability of these criteria are beyond Franchisor's control, and Franchisor is not responsible if a location Franchisor recommends or approves fails to meet Franchisee's expectations. Franchisee acknowledges and agrees that its acceptance of the Site is based on its own independent investigation of the Salon Protected Area and the Site location. Franchisee acknowledges and agrees that Franchisor's location selection assistance is primarily for Franchisor's benefit and not for Franchisee's benefit.

3.2 Procedure for Developing and Opening of Salon

(a) Franchisee is responsible for developing the Salon. Franchisor will give Franchisee mandatory and suggested specifications and layouts for its Salon, including recommended size and design, and required or recommended Equipment. Franchisee is responsible for compliance with any and all federal, state, or local laws, codes, and regulations.

(b) Prior to Opening the Salon, Franchisee agrees to do the following, at its own expense, to develop the Salon at the Site:

(1) Franchisee shall have complied with the site selection criteria and the site approval process set out in the Manual or in the ADA. A Site shall not be within the Restricted Areas or any Townhouse Group Existing Salon Perimeter;

(2) Franchisee shall secure all financing required to develop and operate the Salon (and Franchisor will not provide Franchisee with any financing for Salon development);

(3) In addition to providing the information requested in the Manual and in accordance with the site approval process, Franchisee shall provide Townhouse with a copy of the Lease or other documents giving title to the Salon;

(4) Franchisee shall not enter into any obligations on Townhouse's behalf or allow Townhouse to incur any liabilities in respect of the Lease, and prior to entering into the Lease shall provide confirmation to Townhouse that the terms of the Lease are consistent with the heads of terms provided to Townhouse. Townhouse reserves the right to make any consent to a site conditional upon Franchisee (which

shall include any guarantor to the Lease), the relevant landlord and Townhouse entering into binding arrangements simultaneously with the completion of the Lease (and whether within the Lease or other documents) pursuant to which:

(a) Franchisee shall give Townhouse authority to transfer the Lease to Townhouse or Townhouse's nominee (a "**Permitted Successor**"); and

(b) no landlord consent shall be required for a transfer of the Lease to a Permitted Successor.

Without limiting the foregoing, Franchisor may require that Franchisee and the landlord for the Site to be approved by Franchisor, execute a Lease Rider in substantially the form attached hereto as Exhibit F, as Franchisee understands, acknowledges, and agrees, that the provisions of the Lease Rider are critical to Franchisor's approval of the Site, and Franchisor's ability to maintain the Site as an operating Salon under the Townhouse brand.

(5) Franchisee shall purchase or lease, and install, all required Equipment, Townhouse Hardware, Townhouse Software, Computer System, Trade Dress, and all other furniture and fixtures (collectively, "**Operating Assets**") for the Salon. Franchisee agrees to use in operating the Salon only those Operating Assets that Franchisor approves for Townhouse Salons as meeting Franchisor's specifications and standards for quality, design, appearance, function, and performance. Franchisee agrees to purchase or lease approved brands, types, or models of Operating Assets only from suppliers Franchisor designates or approves (which may include or be limited to Franchisor and/or its Affiliates);

(6) Franchisee shall ensure that the Salon is constructed and fitted out to Townhouse's satisfaction in accordance with the Manual;

(7) Obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating, and installation services;

(8) Franchisee has received all required state and local government certification, permits, and licenses necessary for the operation of a Townhouse Salon, including any required licenses and certifications for its personnel and has actually constructed and installed the Townhouse Salon in a way which is compliant with all required local and federal laws and regulations;

(9) Franchisee has paid the Initial Franchise Fee, and other amounts then due to Franchisor;

(10) Franchisee gives Franchisor all certificates, endorsements and other documentation Franchisor requests for all required insurance policies;

(11) Franchisee and its Affiliates are not in default under or in violation of any agreements by and between Franchisee and its Affiliates and Franchisor or any of Franchisor's Affiliates or suppliers;

(12) Franchisor shall have notified Franchisee in writing that the Salon meets its standards and specifications (although Franchisor's acceptance is not a representation or warranty, express or implied, that the Salon complies with any licensing, labor, building, fire, occupational, landlord's, insurance, safety, tax, governmental, or other statutes, rules, regulations, requirements, or recommendations nor a waiver of Franchisor's right to require continuing compliance with Franchisor's requirements, standards, or policies);

(13) Townhouse will provide Franchisee with an Operating Certificate for the Salon when Townhouse is satisfied that the Salon and the Franchisee meets all of Townhouse's standards and requirements in the Manual and is ready to open and operate in accordance with this Agreement, and Franchisee must counter-sign that Operating Certificate to indicate its agreement to operate the Salon in accordance with this Agreement and the conditions of the Operating Certificate. The Operating Certificate shall indicate the date the Salon will open for business to the public (the "**Commencement Date**"). The opening by Franchisee of the Salon without a valid Operating Certificate shall be a Material Breach by it of this Agreement. An Operating Certificate for the Salon shall terminate automatically upon termination or expiry of the Lease for that Salon or this Agreement.

3.3 Computer System

(1) Franchisee agrees to obtain and use the Townhouse Hardware and/or Townhouse Software, the Booking Platform, and all other operating software and/or communications capabilities Franchisor specifies from time to time (collectively the "**Computer System**"). Franchisor may modify specifications for and components of the Computer System, as Franchisor requires in the Manual. Franchisor's modification of specifications for the Computer System, and/or other technological developments or events, might require Franchisee to purchase, lease, and/or license new or modified computer hardware and/or software and/or communications capabilities and to obtain service and support for the Computer System. Although Franchisor cannot estimate the future costs of the Computer System or required service or support, and although these costs might not be fully amortizable over this Agreement's remaining term, Franchisee agrees to incur the costs of obtaining the computer hardware, software, and/or communications capabilities comprising the Computer System (or additions and modifications) and required service or support. Franchisor has no obligation to reimburse Franchisee for any Computer System costs that Franchisee incurs. Within sixty (60) days after Franchisee receives notice from Franchisor, Franchisee agrees to obtain and install the Computer System components that Franchisor designates. Franchisee must permit Franchisor to access those aspects of the Computer System that are necessary for Franchisor to retrieve data and/or to provide assistance to Franchisee and its Business.

(2) Franchisee agrees that Franchisor, its Affiliates, or vendors may condition any license of proprietary software to Franchisee, or its use of technology that Franchisor, its Affiliates, or vendors develop or maintain, on Franchisee's signing a software license agreement or similar document that Franchisor, its Affiliates, or vendors prescribe to regulate Franchisee's use of, and Franchisor's and Franchisee's respective rights and responsibilities with respect to, the software or technology. Franchisor and its Affiliates or vendors may charge Franchisee a monthly or other fee for any proprietary software or technology that Franchisor, its Affiliates, or vendors license to Franchisee and for other maintenance and support services that Franchisor or its Affiliates provide during this Agreement's term. The current Townhouse Booking Platform Fee is set forth in Exhibit A.

(3) Despite the fact that Franchisee agrees to buy, use, and maintain the Computer System according to Franchisor's standards and specifications, Franchisee will have sole and complete responsibility for: (a) the acquisition, operation, maintenance, and upgrading of the Computer System; (b) the manner in which Franchisee's Computer System interfaces with Franchisor's and any third party's computer system; and (c) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. Franchisee may not install any software, other than authorized upgrades, or make any hardware modifications to the Computer System that might hamper or interfere with the operation of the Computer System in the manner Franchisor requires. Franchisee is solely responsible for protecting itself from disruptions, internet access failures, internet content failures, and attacks by hackers and other unauthorized intruders, and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect result of such disruptions, failures, or attacks. Franchisor will not bear any responsibility for the failure of any third party system, whether Franchisee contracts with the third party or

whether Franchisor contracts with the third party on Franchisee's behalf and rebills for such third party service.

(4) Data that Franchisor reasonably believes to be necessary or desirable for the operation of a Townhouse Salon is or may be currently stored in software programs that Franchisor provides to Franchisee. Franchisor reserves the right to modify its and Franchisee's Computer System requirements, but will only do so upon sixty (60) days prior notice to Franchisee. These information and data programs are subject to this Section 3.3, and Franchisee must comply with Franchisor's Minimum Performance Standards, and Franchisor's data collection and reporting policies and procedures.

3.4 Salon Opening Deadline

Subject to Franchisee's compliance with these conditions, and except as Franchisor may otherwise approve, Franchisee agrees to open the Salon for business not later than nine (9) months after execution of this Agreement.

4. FRANCHISEE'S FINANCIAL OBLIGATIONS

4.1 Initial Franchise Fee

Franchisee agrees to pay Franchisor a nonrecurring initial franchise fee, in the amount set forth in Exhibit A ("**Initial Franchise Fee**") upon execution of this Agreement. The Initial Franchise Fee is due, and fully earned by Franchisor, when Franchisee signs this Agreement and is nonrefundable.

4.2 Marketing Launch Fee

Franchisee agrees to pay Franchisor a nonrecurring initial marketing launch fee, in the amount set forth in Exhibit A ("**Marketing Launch Fee**"). This fee is due no later than ninety (90) days prior to the expected or scheduled opening of the Salon and is fully earned by Franchisor prior to the opening of the Salon, and is nonrefundable.

4.3 Service Fee

Franchisee must pay Franchisor a monthly Service Fee equal to the percentage of the Net Revenue of Franchisee's Salon as set forth in Exhibit A. The Service Fee is payable on or before the tenth (10) day of each month for Net Revenue received during the previous month.

4.4 Brand Marketing Fund Contribution

In addition to the Service Fee and the Townhouse Booking Platform Fee, Franchisee must pay Franchisor a monthly Brand Marketing Fund contribution equal to the percentage of the Net Revenue of Franchisee's Salon set forth in Exhibit A. The Brand Marketing Fund contribution is payable on or before the tenth (10) day of each month for Net Revenue received during the previous month. Such amount shall be contributed to a Brand Marketing Fund ("**Brand Marketing Fund**") maintained by Franchisor, as described in Section 9.2 below.

4.5 Other Payments

Franchisee shall pay, within ten (10) days of the date of an invoice presented to Franchisee by Townhouse:

- (1) the cost of any Equipment and/or Products or advertising/promotional aids such as leaflets and other goods or services supplied to Franchisee by Townhouse during the invoice period;
- (2) a reasonable sum to be determined by Townhouse at its sole discretion, in respect of Townhouse providing Franchisee with Additional Support as described in Section 9.21 and any related Travel and Subsistence Expenses;
- (3) the costs of all Re-Audits carried out in accordance with Section 9.21;
- (4) all disbursement costs incurred by Townhouse on behalf of Franchisee such as design fees, consultant fees, architect fees and legal fees;
- (5) Franchisor's Travel and Subsistence Expenses or such other permitted expenses or costs (including salary costs where stated) incurred in accordance with visits to the Salons in accordance with this Agreement;
- (6) the fees in respect of any training, recruitment, or additional services provided under this Agreement or the Manual; and
- (7) any additional fees and expenses imposed by Townhouse as a result of any update to the System adopted by Franchisee pursuant to this Agreement.

4.6 Booking Platform

Franchisee acknowledges that one element of the System and the Townhouse Salon customer experience is a technology-based, streamlined process for booking and paying for services, and that customers of the Salon will pay for the Products and Services via the Booking Platform. As of the date of this Agreement, Franchisee will receive remittance of funds paid by customers directly into their nominated account from the suppliers that operate the relevant elements of the Booking Platform in accordance with their agreed terms with Franchisee. Townhouse reserves the right to configure or require the configuration of the Booking Platform such that in future there shall be an automatic deduction of sums due to Townhouse under the Agreement, with customer funds received automatically being split at source between Franchisee and Townhouse, with Townhouse's share reflecting the Service Fee and the Marketing Fee due to Townhouse. In the event Franchisor replaces any component of the Booking Platform with its own branded solution, it reserves the right to charge the same or less than was previously paid for the equivalent third party solution or element of the Booking Platform. To the extent that touchless or cashless payments are prohibited by local law, Franchisee shall comply with such requirements, and shall notify Franchisor of, and receive Franchisor's consent to such changes in practices, prior to implementing such changes.

4.7 Method of Payment

4.7.1 Before the Salon opens, Franchisee agrees to sign and deliver to Franchisor the documents Franchisor requires to authorize Franchisor to debit Franchisee's business checking account automatically for the Marketing Launch Fee, Service Fee, Townhouse Booking Platform Fee, Brand Marketing Fund contributions, and other amounts due under this Agreement (the "**Electronic Depository Transfer Account**" or "**EDTA**"). Franchisor's current form of EDTA documents are attached as Exhibit C. Franchisee agrees to ensure that funds are available in the EDTA to cover Franchisor's withdrawals.

4.7.2 Franchisor may require Franchisee to pay any amounts due under this Agreement or otherwise by means other than automatic debit (*e.g.*, by check) whenever Franchisor deems appropriate.

Franchisee agrees to comply with Franchisor's payment instructions as they may be modified from time to time.

4.7.3 Franchisee must comply with all of Franchisor's payment policies, procedures, and requirements, as described in the Manual including, but not limited to, types of currency that Franchisee may accept as payment at the Salon or that may be accepted as payment by Franchisor.

4.8 Overdue Amounts

Any payment or report not actually received by Franchisor on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. If any payment or report is overdue, Franchisee shall pay Franchisor, in addition to the overdue amount, a late payment/late report charge of One Hundred Dollars (\$100) for each week or part thereof that the payment or report is late, and interest accruing as of their original due date at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Franchisee nor its owners shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

4.9 Application of Payments

Franchisor may attribute any monies received by it or any of its Affiliates from Franchisee or any of Franchisee's Affiliates to any debt owed by Franchisee or any of Franchisee's Affiliates to Townhouse or any of Townhouse's Affiliates or other third party, whether under this Agreement or otherwise, regardless of what Franchisee purports to designate the payment to be on account of. Franchisor shall be entitled but not obliged at any time or times (without notice to Franchisee) to set off any money owed by Franchisee or Franchisee's Affiliates against any money owed by Townhouse to Franchisee pursuant to this Agreement or otherwise. This right of set off will continue unless and until Franchisee and Franchisee's Affiliates have paid, satisfied or discharged all monies, debts or liabilities due or owing to Townhouse or Townhouse's Affiliates. Franchisee hereby irrevocably authorizes Townhouse to deduct from any monies payable by Townhouse or Townhouse's Affiliates to Franchisee pursuant to this Agreement or otherwise any monies due or owing to Townhouse or Townhouse's Affiliates by Franchisee or Franchisee's Affiliates from time to time. Franchisee may not withhold payment of any amounts Franchisee owes to Franchisor due to Franchisor's alleged nonperformance of any of its obligations under this Agreement.

5. TRAINING AND ASSISTANCE

5.1 Initial and Ongoing Training.

Franchisor will conduct an initial training program for Franchisee (or its Designated Representative) and Key Staff as detailed in the ADA. Franchisee or its Designated Representative shall be responsible for training all of Franchisee's staff and employees, including managers, technicians, and estheticians (collectively "Franchise Staff"), and shall provide such training in strict compliance with the System Standards. Franchisee shall provide such ongoing training to its Franchise Staff, including replacement personnel, as Franchisor may require, and in strict compliance with the System Standards. Franchisee understands and agrees that any specific ongoing training or advice Franchisor provides,

whether pursuant to this Agreement, the ADA, or additional training, does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which Franchisor may discontinue and modify from time to time.

Franchisor may require Franchisee's Designated Representative and any designated Key Staff to attend periodic conventions, regional meetings, and conferences that Franchisor specifies. Franchisee's Designated Representative and any designated Key Staff will be required to participate in up to two (2) days of refresher training per year. This training may be provided virtually or at a location designated by Franchisor. Generally, the principal goal of the training programs is to communicate to the Designated Representatives, managers, and employees the brand standards and critical features of a Townhouse Salon. Franchisor may charge reasonable registration or similar fees for these courses. If attendance at these conventions, meetings or conferences is mandatory, Franchisor reserves the right to charge Franchisee the registration, attendance or similar fees, including, a non-attendance fee in an amount Franchisor designates, even if Franchisee or the required attendee does not attend. In addition, Franchisee must pay all costs to attend.

5.2 Support Team

Franchisor will, if this Agreement is for Franchisee's first or second Salon, assign a support team to support Franchisee's efforts in operating the Salon. In addition to continuing support and dedication, the support team will provide specific assistance including but not limited to, that described in the ADA. Franchisor will provide guidance in Franchisor's Manual; in bulletins or other written materials; by electronic media; by telephone consultation; and/or at Franchisor's office or the Salon. If Franchisee requests, and Franchisor agrees to provide, additional or special guidance, assistance, or training, Franchisee agrees to pay Franchisor's then applicable charges as set forth in the Manual.

5.3 Manual

5.3.1 Franchisor will loan Franchisee during the Initial Term one (1) copy of Franchisor's Manual, which may be in electronic form, and may include computer software, other electronic media, information distributed electronically or via the Internet or an internal extranet and/or written materials. The Manual contains mandatory and suggested specifications, standards, operating procedures, rules, System Standards, and Minimum Performance Standards that Franchisor periodically prescribes for operating a Townhouse Salon and information on Franchisee's other obligations under this Agreement. Franchisor may modify the Manual periodically to reflect changes in the System including any required specifications, standards, and/or operating procedures exist to protect Franchisor's interests in the System and the Marks and to create a uniform customer experience. For the avoidance of doubt, these are not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee.

5.3.2 Franchisee agrees to keep its copy of the Manual current and in a secure location, electronically or otherwise, at the Salon. If there is a dispute over its contents, Franchisor's master copy of the Manual controls. Franchisee agrees that the Manual's contents are confidential and that Franchisee will not disclose the Manual to any person other than Salon employees who need to know its contents and in each case providing only sections of the Manual that are relevant to that employee's job role. Franchisee may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. If Franchisee's copy of the Manual is lost, destroyed, or significantly damaged, Franchisee agrees to obtain a replacement copy from Franchisor. Franchisor may assess Franchisee Franchisor's then applicable printing or copying charge. This charge is for Franchisor's direct costs, and is not related to any value that Franchisor places on the Confidential Information.

5.3.3 At Franchisor's option, Franchisor may post some or all of the Manual on a restricted Online Site or extranet to which Franchisee will have access. If Franchisor does so, Franchisee agrees to monitor and access the Online Site for any updates to the Manual, the System, or the Minimum Performance Standards. Any passwords or other digital identifications necessary to access the Manual on the Online Site will be deemed to be part of Confidential Information.

5.4 Delegation of Performance

Franchisee agrees that Franchisor has the right to delegate the performance of any portion or all of Franchisor's obligations under this Agreement to third-party designees, whether these designees are its agents or independent contractors with whom Franchisor has contracted to perform these obligations. If Franchisor does so, such third-party designees will be obligated to perform the delegated functions for Franchisee in compliance with this Agreement.

5.5 Advisory Council

Franchisor may, in its discretion, form an advisory council to work with Franchisor to improve the System, the products and services offered by Townhouse Salons, advertising conducted by the Brand Marketing Fund, and any other matters that Franchisor deems appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making authority. Franchisor will have the right to form, change, merge or dissolve any advisory council. Franchisor may develop by-laws for any advisory council.

6. MARKS

6.1 Ownership and Goodwill of Marks

Franchisee acknowledges that Townhouse and its Affiliates have sole, exclusive, and proprietary ownership rights to current and future names and the Marks, and that Franchisor is licensed to use and sublicense the Marks to franchisees pursuant to a Trademark License Agreement with Townhouse Group Limited. All goodwill associated with and related to the Marks accrues directly and exclusively to the benefit of, and is the property of Townhouse and its Affiliates. Franchisee's right to use the Marks is derived only from this Agreement and limited to its operating the Salon according to this Agreement and all System Standards Franchisor prescribes during its term. Franchisee's unauthorized use of the Marks is a breach of this Agreement and infringes Franchisor's rights in the Marks. Franchisee acknowledges and agrees that its use of the Marks and any goodwill established by that use are exclusively for Franchisor's benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon Franchisee (other than the right to operate the Salon under this Agreement). All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks Franchisor authorizes Franchisee to use. Franchisee may not at any time during or after this Agreement's term contest or assist any other person in contesting the validity, or Franchisor's ownership, of the Marks.

6.2 Limitations on Franchisee's Use of Marks

6.2.1 Franchisee agrees to use the Marks as the Salon's sole identification, except that Franchisee agrees to identify itself or the Entity as the independent operator of the Salon in the manner Franchisor prescribes. Franchisee may not use any Mark, any derivatives of the Marks or similar mark (1) as part of any corporate or legal business name, (2) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos Franchisor has licensed to Franchisee), (3) in selling any unauthorized services or products, (4) as part of any domain name, homepage, electronic address, or

otherwise in connection with the Online Site, or (5) in any other manner that Franchisor has not expressly authorized in writing.

6.2.2 Franchisee may not use any Mark in advertising the transfer, sale, or other disposition of the Salon or an ownership interest in Franchisee without Franchisor's prior written consent, which Franchisor will not unreasonably withhold. Franchisee agrees to display the Marks prominently as Franchisor prescribes at the Salon and on forms, advertising, supplies, and other materials Franchisor designates. Franchisee agrees to give the notices of trade and service mark registrations that Franchisor specifies and to obtain any fictitious or assumed name registrations required under applicable law.

6.3 Notification of Infringements and Claims

Franchisee agrees to notify Franchisor immediately of any apparent infringement or challenge to its use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than Franchisor, its attorneys, and Franchisee's attorneys, regarding any infringement, challenge, or claim. Franchisor may take the action Franchisor deems appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark Office proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. Franchisee agrees to sign any documents and take any other reasonable action that, in the opinion of Franchisor's attorneys, are necessary or advisable to protect and maintain Franchisor's interests in any litigation or Patent and Trademark Office or other proceeding or otherwise to protect and maintain Franchisor's interests in the Marks. Franchisor will reimburse Franchisee for its costs of taking any action that Franchisor has asked Franchisee to take.

6.4 Discontinuance of Use of Marks

6.4.1 If it becomes advisable at any time for Franchisor and/or Franchisee to modify or discontinue using any Mark and/or to use one or more additional or substitute trade or service marks, Franchisee agrees to comply with Franchisor's directions within a reasonable time after receiving notice. Franchisor need not reimburse Franchisee for any loss of revenue due to any modified or discontinued Mark, or for Franchisee's expenses of promoting a modified or substitute trademark or service mark.

6.4.2 Franchisor's rights in this Section 6.4 apply to any and all of the Marks (and any portion of any Mark) that Franchisor authorizes Franchisee to use in this Agreement. Franchisor may exercise these rights at any time and for any reason, business or otherwise that Franchisor thinks best. Franchisee acknowledges both Franchisor's right to take this action and its obligation to comply with Franchisor's directions.

6.5 Indemnification for Use of Marks

Franchisor agrees to reimburse Franchisee for all damages and expenses that Franchisee incurs in any trademark infringement proceeding disputing its authorized use of any Mark under this Agreement if Franchisee has timely notified Franchisor of, and comply with Franchisor's directions in responding to, the proceeding, and Franchisee has used the Mark(s) in compliance with this Agreement and the Manual. At Franchisor's option, Franchisor may defend and control the defense of any proceeding arising from Franchisee's use of any Mark under this Agreement.

7. CONFIDENTIAL INFORMATION

7.1 Franchisor possesses (and will continue to develop and acquire) certain confidential information, some of which constitutes trade secrets under applicable law (the “**Confidential Information**”), relating to developing and operating Townhouse Salons, including (without limitation):

- (1) site selection and territorial criteria;
- (2) training and operations materials and manuals;
- (3) methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and operating Townhouse Salons;
- (4) marketing and advertising programs for Townhouse Salons;
- (5) employee recruitment, training, retention programs;
- (6) knowledge of specifications for and suppliers of Operating Assets, and other products;
- (7) any computer software or similar technology which is proprietary to Franchisor or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
- (8) knowledge of the operating results and financial performance of Townhouse Salons other than the Salon;
- (9) graphic designs and related intellectual property; and
- (10) all Customer Data.

Franchisee acknowledges and agrees that the foregoing Confidential Information, which may or may not be considered “trade secrets” under prevailing judicial interpretations or statutes, is private, valuable, and constitutes “trade secrets” belonging to Franchisor. Franchisee agrees that Franchisor derives independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by, another person. Franchisee acknowledges and agrees that Franchisee will not acquire any interest in Confidential Information, other than the right to use it as Franchisor specifies in operating the Salon during this Agreement’s term, and that Confidential Information is proprietary and is disclosed to Franchisee only on the condition that Franchisee agree, and Franchisee in fact does agree, that it:

- (1) will not use Confidential Information in any other business or capacity;
- (2) will keep each item deemed to be part of Confidential Information absolutely confidential, both during this Agreement’s term and then thereafter for as long as the item is not generally known in the salon and/or beauty industries;
- (3) will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and
- (4) will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restricting its disclosure to Salon

personnel and others and using non-disclosure and non-competition agreements with those having access to Confidential Information. Franchisor has the right to regulate the form of agreements that Franchisee uses and to be a third party beneficiary of those agreements with independent enforcement rights. Franchisee is obligated to maintain in its files those executed confidentiality agreements Franchisor specifies and make them available to Franchisor upon request.

7.2 Confidential Information does not include information, knowledge, or know-how which Franchisee can demonstrate lawfully came to its attention before Franchisor provided it to Franchisee directly or indirectly; which, at the time Franchisor disclosed it to Franchisee, already had lawfully become generally known in the salon and/or beauty industries through publication or communication by others (without violating an obligation to Franchisor); or which, after Franchisor disclose it to Franchisee, lawfully becomes generally known in the salon and/or beauty industries through publication or communication by others (without violating an obligation to Franchisor). However, if Franchisor includes any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled. Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manual.

7.3 All ideas, concepts, techniques, or materials relating to a Townhouse Salon, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed to be Franchisor's sole and exclusive property, part of the System, and works made-for-hire for Franchisor. To the extent that any item does not qualify as a "work made-for-hire" for Franchisor, by this paragraph Franchisee assigns ownership of that item, and all related rights to that item, to Franchisor and agrees to take whatever action (including signing assignments or other documents) Franchisor requests to evidence Franchisor's ownership or to help Franchisor obtain intellectual property rights in the item.

8. EXCLUSIVE RELATIONSHIP

8.1 Franchisee acknowledges that Franchisor has granted Franchisee the rights and license to operate the Franchised Salon in consideration of and reliance upon Franchisee's agreement to deal exclusively with Franchisor. Franchisee therefore agrees that, during this Agreement's term, Franchisee, any of its owners, including the Designated Representative, and any of its or its owners' immediate family members who have attended any of Franchisor's training programs, or have participated in any aspects of the operation or management of the Salon ("**immediate family members**" will include spouses and domestic partners, parents, children 18 years old or older, and such other persons as Franchisor may specify following its review of Franchisee's franchise application and proposed operations and ownership structure), for itself (or themselves), or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not:

(1) own, maintain, operate, engage in, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competing Business, wherever located or operating (except that equity ownership of less than five percent (5%) of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(2) be, or perform services as, a director, officer, manager, employee, consultant, representative, or agent for a Competing Business, wherever located or operating;

(3) divert or attempt to divert any actual or potential business or customer of the Salon to a Competing Business; or

(4) engage in any other activity which might injure the goodwill of the Marks and System.

8.2 Franchisee agrees to obtain similar covenants from the personnel and persons Franchisor specifies, including officers, directors, managers and other employees attending Franchisor's training program or having access to Confidential Information and immediate family members. 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.

9. SYSTEM STANDARDS

9.1 Condition and Appearance of the Salon

Franchisee agrees that:

(1) Franchisee will maintain the condition and appearance of the Salon and its Operating Assets in accordance with System Standards and consistent with the image of a Townhouse Salon as an efficiently operated Business offering high quality and professional services and products and observing high standards of client service, and providing efficient, courteous service, and in that connection will take, without limitation, the following actions during the term of this Agreement: (a) repainting, repairing, and refurbishing of the Salon and Site at intervals Franchisor prescribes; (b) repair or replacement of damaged, worn out or obsolete Operating Assets; and (c) Franchisee may place or display at the Salon only those signs, photographs, artwork, logos, and display and advertising materials that Franchisor from time to time approve (collectively "Maintenance");

(2) If at any time in Franchisor's reasonable judgment, the general state of repair, appearance or cleanliness of the Salon or its Operating Assets does not meet Franchisor's standards, Franchisor has the right to notify Franchisee, specifying the action Franchisee must take to correct the deficiency. Franchisee will have ninety (90) days to comply and make these corrections. If Franchisee does not initiate action to correct such deficiencies within ninety (90) days after Franchisee receive Franchisor's notice, Franchisor has the right, in addition to all other remedies, to enter the Salon and do any required maintenance or refurbishing on Franchisee's behalf, and Franchisee agrees to reimburse Franchisor on demand for any expenses Franchisor incurs in that connection; and

(3) In addition to the Maintenance obligations set forth in Section 9.1(2) above, upon notice from Franchisor, Franchisee shall undertake such periodic and ongoing remodeling and upgrading of the Salon, the Salon premises, and the furniture, fixtures, equipment, décor, signage and trade dress of the Salon, as required by Franchisor in the Manuals or otherwise in writing. Without limiting the foregoing, and not sooner than four (4) years after the date upon which the Salon opens for business, and again as a pre-condition to renewal pursuant to Section 13.2, Franchisee shall refurbish the Salon at its expense to conform to the building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Marks in a manner consistent with the image then in effect for new Salons, including without limitation remodeling, redecoration, and modifications to existing improvements, as Franchisor may require in writing (collectively, "**Salon Remodeling**").

(4) Franchisee shall not be required to engage in Salon Remodeling more than once every five (5) years during the term of this Agreement, and Franchisee shall not be required to spend more than Fifty Thousand Dollars (\$50,000) for all such Salon Remodeling during the initial term; provided, however, that such dollar limitation shall be increased during the initial term of this Agreement by an amount equal to any increase in the CPI over the same period. In addition, Franchisor may require Salon Remodeling more often if such Facilities Remodeling is required as a pre-condition to renewal as described

in Section 13.2. The limitations on the frequency, scope or cost of Salon Remodeling shall not include Maintenance or any changes or upgrades to the Computer System.

9.2 Business Plans

Franchisee agrees to submit to Townhouse for approval by the Commencement Date its initial Business Plan. Townhouse will confirm to Franchisee whether or not Franchisee's initial Business Plan is approved by it or not (as the case may be) within fourteen (14) days of receipt by Townhouse of the Business Plan. If a Business Plan or any element of it is not approved by Townhouse, Franchisee will resubmit it to Townhouse amended in accordance with Townhouse's requirements within a reasonable period. During the Initial Term, Townhouse reserves the right to request an updated Business Plan from Franchisee from time to time for Townhouse's approval. Townhouse's approval of a Business Plan does not mean that it guarantees or warrants that Franchisee's Business will perform in accordance with that Business Plan. Franchisee shall attend periodic meetings with Townhouse in the frequency described in the Manual to discuss the Business Plan and Franchisee's Business with Townhouse.

9.3 Approved Products, Distributors and Suppliers

Franchisee agrees that:

- (1) it will comply with the quality specifications set forth for the Business in the Manual or as Townhouse may otherwise require from time to time;
- (2) prior to commencing Franchisee's Business and for the Initial Term, it will purchase the Products and Equipment only from Townhouse or Townhouse's designated or approved suppliers;
- (3) where designated by Townhouse, it will only use Core Products in the Salon as approved by Townhouse;
- (4) if Townhouse withdraws any Products from the System it shall be entitled to require Franchisee to withdraw the same Products from the Salon according to the process specified in the Manual. Franchisee will not sell or otherwise dispose of any such withdrawn Products and shall return or destroy them on receipt of a written request to do so from Townhouse;
- (5) it will at all times maintain such minimum levels of stock of the Products to obtain maximum profitability for the Salon and so as to enable it to properly perform its obligations as specified in the Manual;
- (6) it will only sell the Products from the Salon and not in any circumstances sell any products other than the Products in the Salons;
- (7) it shall use the Equipment only in the Salon and shall not use any other shopfittings (including fittings, shop fascia signs, designs, external branded signage, graphics and distinguishing signs) or equipment (including packaging materials, display items and presentational items) in the Salons and shall at all times maintain in good order the Equipment and in line with manufacturer service requirements;
- (8) it shall at its own expense and risk, and for its own account and within any reasonable period required by Townhouse, arrange for any Equipment to be transported and installed in the Salon prior to opening; and

(9) it shall be liable for all loss or damage whatsoever caused by acts or omissions of its shopfitters, contractors, vendors, and other suppliers (including where such shopfitters, contractors, vendors, or suppliers have been introduced or mandated by Townhouse).

Where specified by Townhouse, Townhouse's designated or approved suppliers will contract with and invoice Franchisee directly in connection with any Products and/or Equipment they supply to Franchisee. If Townhouse or an Affiliate of Townhouse supplies Franchisee with Products and/or Equipment, it will do so as detailed in the Manual.

9.4 Non-Core Products and Services

Franchisee shall be entitled to source Products which are not designated by Townhouse as Core Products ("**Non-Core Products**") and/or Equipment which is not designated by Townhouse as Core Equipment ("**Non-Core Equipment**") from third party suppliers who are not then-currently one of Townhouse's designated or approved suppliers, provided that the Non-Core Products and/or Non-Core Equipment that Franchisee is proposing to use are of the same specification and match or exceed the quality of the same Non-Core Products and/or Non-Core Equipment specified in the Manual (or as otherwise notified by Townhouse). In order to assess the suitability of a third-party supplier and the quality of the Non-Core Products and/or Non-Core Equipment that Franchisee may propose to purchase, Franchisee agrees to and will comply with the process detailed in the Manual.

9.5 Supplier Payments

Franchisor and its Affiliates may receive payments from suppliers on account of such suppliers' dealings with Franchisee and other franchisees, and may use any amounts received without restriction and for any purpose Franchisor and its Affiliates deem appropriate. Franchisor may concentrate purchases with one or more suppliers or distributors to obtain lower prices or advantageous advertising support or services. Approval of a supplier or distributor may be conditioned on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending Franchisor's continued evaluation of the supplier or distributor from time to time. Franchisee or any other franchisee shall not be an approved vendor to the Townhouse System.

9.6 Compliance with Laws and Good Business Practices

Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Salon, and must operate the Salon in full compliance with all applicable federal, state and local laws, rules, ordinances and regulations, including, without limitation, government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes, sales and service taxes, and all federal, state, and local employment and labor laws and regulations. To the extent that any Legal Requirements are in conflict with the terms of this Agreement, the Manual, or other instructions from Franchisor, Franchisee will: (i) comply with said Legal Requirements; and (ii) immediately provide written notice to Franchisor describing the nature of the conflict. Franchisee must comply with all state and local laws and regulations regarding the staffing and management of the Salon. All advertising and promotion by Franchisee must be completely factual and must conform to the highest standards of ethical advertising. The Salon must in all dealings with its clients, suppliers, Franchisor and the public adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. Franchisee agrees to refrain from any business or advertising practice which may be injurious to Franchisor's business and the goodwill associated with the Marks and other Townhouse Salons. Franchisee must notify Franchisor in writing within five (5) days of the 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, which may adversely affect Franchisee's operation or financial condition or that of the Salon and of any notice of violation of any law, ordinance, or regulation relating to the Salon.

9.7 Franchisee's Personnel Decisions

9.7.1 Franchisee will have sole discretion regarding all employment decisions and matters relating to its personnel, including, without limitation, hiring, firing, discipline, compensation, benefits, personnel policies, recordkeeping, supervision and scheduling, regardless of whether Franchisee receives advice, suggestions, or recommendations from Franchisor on these subjects. Franchisee acknowledges and agrees that all personnel decisions will be made by Franchisee, without any influence or advice from Franchisor, and such actions and decisions will not be, nor be deemed to be, a decision or action of Franchisor's. Franchisee must ensure that all of the management personnel and other personnel working at the Salon satisfactorily complete all state and local government required training and must meet all required licensing and certification requirements. Franchisee is also responsible for ensuring that its employees are adequately trained.

9.7.2 Franchisee agrees to recruit the Key Staff and all other employees engaged in the Salons in accordance with the suggested or recommended processes and guidelines contained in the Manual, and that it shall not engage any individuals on a self-employed, chair rental or zero hour contract basis in relation to Franchisee's Business, or engage any employees with a known conviction for a violent, sexual or other crime that resulted in significant bodily harm. Notwithstanding the requirements of this Section 9.7.2, Franchisee is solely responsible for all hiring, firing, compensation, scheduling, and discipline decisions with respect to all of its employees, as provided for in Section 9.7.1 above.

9.7.3 Franchisee shall ensure that all its employees are adequately trained as specified in the Manual to such standard as Townhouse determines before actually working in Franchisee's Business. Franchisee shall train such employees, or send such employees to Townhouse required training. Franchisee shall have sole discretion whether to pay employees during training. Franchisee may not permit any employee to work at the Salon or provide services to customers if they have not successfully completed all required training.

9.7.4 Franchisee shall ensure that all its employees conduct themselves in such manner as not to discredit or adversely affect the reputation of the Business, the Network or the Marks. Such employees shall at all times comply with any applicable dress code for the Business.

9.7.5 Franchisee shall immediately notify Townhouse if any of Franchisee's Owners, managers, employees or agents commit an offense, or are arrested or questioned by the police in connection with an offense committed, in or relating to the Salon or otherwise connected with Franchisee's Business.

9.7.6 Franchisee shall maintain adequate staffing levels at all times as specified in the Manual to provide the services and deliver the customer experience in accordance with Townhouse brand standards.

9.7.7 To the extent that employment contracts are permitted or required by applicable Legal Requirements, Franchisee shall procure that all of its employees enter into employment contracts with Franchisee which comply with all applicable Legal Requirements and include provisions: (a) acknowledging that all copyright in the Copyright Materials, Confidential Information and other Intellectual Property Rights which subsist in the System belongs to Townhouse and must not be copied for personal use; (b) acknowledging that intellectual property created in the course of their employment belongs to Townhouse; (c) which prevent them from using any of Townhouse's Intellectual Property Rights after

the cessation of their employment; and (d) which prevent them from posting on social media or in an otherwise public forum regarding the Salons and/or the Business during their employment unless expressly authorized by Franchisee. Any authorization shall require such posts to be published in accordance with the guidelines in the Manual.

9.8 Management of the Salon by Designated Representative and Key Staff/Conflicting Interests

Franchisee agrees, consistent with the ADA, and following the requirements for the Designated Representative in the ADA:

(1) to ensure that at all times there is a Designated Representative who devotes his or her full time, attention and effort to Franchisee's Business and Salon and that the Designated Representative is a shareholder, director or senior managerial employee of Developer;

(2) to ensure that the Designated Representative has full power and authority to deal with Townhouse on Franchisee's behalf and to implement the requirements of the Manual and this Agreement together with any other formal or informal requests from Townhouse;

(3) if the Designated Representative is unable to comply with the provisions of this Section 9.8 for any reason, Franchisee shall arrange, along with Developer, for a suitable replacement subject to Townhouse's approval. If Franchisee cannot provide such a suitable replacement within a period of ninety (90) days from the date that the Designated Representative became unable to comply with the provisions of this Clause Townhouse shall have the right to terminate this Agreement or (at its sole discretion) to take over the operation of Franchisee's Business (on the basis of an agency) until such time as a new Designated Representative acceptable to Townhouse is appointed. During any such management period, Townhouse shall be entitled to charge the Step-in Reimbursement Fee, and Townhouse shall be entitled to reimbursement of any expenses it incurs that are not paid out of the operating cash flow of Franchisee's Business. Townhouse's election to avail itself of the right to take over the operation of Franchisee's Business shall not be deemed a waiver of any breach or default under this Agreement by Franchisee and Franchisee hereby waives any and all claims or right of action it has or may have against Townhouse and releases Townhouse and its directors, shareholders, employees or agents from any and all liability howsoever arising in connection with Townhouse's operation of Franchisee's Business pursuant to this Clause; and

9.8.2 in the event that there is any change in the Designated Representative or Key Staff, to ensure that the new Designated Representative or Key Staff shall complete the relevant training courses. Franchisee shall be responsible for all of the costs associated with this training, including Townhouse's costs in providing the training.

9.9 Insurance

Insurance Requirements. Prior to the commencement of any activities or operations pursuant to this Agreement, Franchisee shall procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required hereunder for events having occurred during the Term of this Agreement), at Franchisee's expense, the following insurance policy or policies in connection with the Salon or other facilities on premises, or by reason of the construction, operation, or occupancy of the Salon or other facilities on premises. Such policy or policies shall be written by an insurance company or companies approved by Franchisor, having a rating of at least "A" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that Franchisor reasonably designates if A.M. Best Company no longer publishes the Key Rating Guide) and

licensed to do business in the state in which the Salon is located. Such policy or policies shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified for all franchisees from time to time by Franchisor in the Manuals or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in circumstances), the following:

9.9.1 Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of not less than One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate.

9.9.2 Statutory workers' compensation insurance and employer's liability insurance for a minimum limit of at least One Million Dollars (\$1,000,000), as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Salon is located. Franchisee shall have and maintain such insurance for all of its employees prior to any employee commencing any training with Franchisor. Franchisee agrees to obtain a waiver of subrogation endorsement on its workers' compensation policy, and shall provide to Franchisor proof of both (i) the effective workers' compensation policy, and (ii) the endorsement to such policy waiving the insurer's right of subrogation.

9.9.3 Personal injury coverage with limits of at least Two Million Dollars (\$2,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate.

9.9.4 Property damage insurance providing coverage for direct physical loss or damage to real and personal property for all-risk perils, including the perils of flood and earthquake with limits of at least One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) aggregate.

9.9.5 Professional liability coverage with limits of at least Two Million Dollars (\$2,000,000) per occurrence and Three Million Dollars (\$3,000,000) aggregate.

9.9.6 Employment practices liability insurance with limits of at least Five Hundred Thousand Dollars (\$500,000) per occurrence and One Million Dollars (\$1,000,000) aggregate.

9.9.7 Products liability insurance in an amount not less than One Million Dollars (\$1,000,000), which policy shall be considered primary.

9.9.8 Business automobile liability insurance, including a combined single bodily injury and property damage coverage for all owned, non-owned, and hired vehicles, with limits of liability not less than One Million Dollars (\$1,000,000) per occurrence for both bodily injury and property damage.

9.9.9 Any other insurance coverage that is required by federal, state, or municipal law.

9.9.10 Franchisee routinely must furnish Franchisor copies of its Certificates of Insurance declarations page(s), endorsements, and other evidence (of the type and nature that Franchisor specifies) that demonstrate Franchisee's maintaining this insurance coverage and paying premiums. If Franchisee fails or refuses to obtain and maintain the insurance Franchisor specifies, in addition to its other remedies, Franchisor may (but need not) obtain such insurance for Franchisee and the Salon on its behalf, in which event Franchisee shall cooperate with Franchisor and reimburse Franchisor for all premiums, costs and expenses Franchisor incurs in obtaining and maintaining the insurance, plus a reasonable fee for its time incurred in obtaining such insurance. Franchisor encourages Franchisee to seek advice from an independent risk management provider who may specify higher limits.

9.9.11 Franchisor does not represent or warrant that any insurance that Franchisee is required to purchase, or which Franchisor procure on Franchisee's behalf, will provide Franchisee with adequate coverage. Franchisor's review and verification of certain elements of Franchisee's insurance does not in any way reduce or eliminate Franchisee's obligation to fully comply with all insurance requirements. It is Franchisee's sole obligation to fully comply with these insurance requirements and to confirm with its insurance providers that its policies are in compliance. The requirements of insurance specified in this Agreement are for Franchisor's protection. Franchisee should consult with its own insurance agents, brokers, attorneys or other insurance advisors to determine the level of insurance protection Franchisee need and desire, in addition to the coverage and limits Franchisor requires.

9.9.12 Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee's procurement of required insurance relieve Franchisee of liability under the indemnity provisions set forth herein. Franchisee's insurance procurement obligations under this Section are separate and independent of its indemnity obligations.

9.10 Charges.

Franchisee agrees not to serve customers without properly charging such customer (other than to replace damaged or sub-standard or inadequate items in accordance with the Manual) and to ensure that all sales are inputted into the Booking Platform. Except as prohibited by Legal Requirements, Franchisee shall not keep or handle any cash at the Salon and in the case where it is prohibited by Legal Requirements, shall make best endeavours to ensure the use of cash and operational processes related to the use of cash are designed to ensure this is kept to the minimum required. All charges relating to the Products and Services (including any add-on purchases made by customers as well as electronic tips) shall be made electronically through the Booking Platform, with the sole exception of cash tips provided by customers directly to staff and not handled by Franchisee.

9.11 Recommended and Maximum Charge and Pricing Policy

9.11.1 Franchisee agrees not to charge excessive prices which might bring the Salon or the Marks into disrepute and to ensure that charges are reasonable taking into account charges for similar products or services in the Territory. Franchisee shall remain free to set prices at its sole discretion, subject to the following:

- (i) To the extent permitted by applicable Legal Requirements, Townhouse may impose maximum prices which Franchisee must price below; and
- (ii) To the extent permitted by applicable Legal Requirements, nothing in this Agreement shall prevent Townhouse from recommending prices;

9.11.2 Franchisee shall not to enter into any agreement, arrangement or concerted practice with any of Townhouse's franchisees or any other person whatsoever in relation to the prices at which Franchisee sells the Products;

9.11.3 To the extent permitted by applicable Legal Requirements, Franchisee agrees to participate in any short-term low-price or discount campaign, lasting no more than six (6) weeks, involving Townhouse, Townhouse's Affiliates and one or more of Townhouse's other franchisees of Townhouse Salons, and, during such campaign, shall set prices for those Products that are the subject of the campaign at the level notified by Townhouse to it. This is without prejudice to Franchisee's freedom to set its own prices for Products outside the context of such a campaign. Franchisee's obligation to comply with any

prices specified by Townhouse as part of such a campaign shall, unless Townhouse notifies it of an earlier date, come to an end on the date falling six (6) weeks after the date on which the campaign commenced.

9.12 Communication Links.

In addition to, and notwithstanding other similar or related requirements regarding, the Computer System, Franchisee agrees:

(1) to maintain the communication links with Townhouse as specified in the Manual including electronic links, data feeds from the Booking Platform in each Salon linking to Townhouse's current system and remote access for its computers to the categories of information specified in the Manual if any and email, and such communication links shall be part of the Computer System;

(2) to purchase, maintain and operate such Townhouse Hardware and Townhouse Software as Townhouse requires to enable Franchisee to take an active part in the Business;

(3) to use such email addresses as are required in the Manual only for Franchisee's Business and as approved by Townhouse;

(4) at its own cost, to acquire and install the Booking Platform as Townhouse prescribes in the Manual to record and maintain accurate records of all transactions within each Salon. If Townhouse's prescribed Booking Platform is not available to Franchisee, Franchisee may acquire an alternative system subject to Townhouse's approval. Franchisee will provide Townhouse with access codes to allow Townhouse remote access to review all information recorded on such Booking Platform;

(5) not to offer customers a telephone number for contact without Townhouse's approval and if Franchisee elects to have a telephone in the Salon for other purposes, to ensure that the telephone's ring is not audible;

(6) to enter into a software license and/or any maintenance agreement with the suppliers of the Townhouse Software ("**Software Suppliers**") or with Townhouse directly (as Townhouse specifies from time to time depending on the arrangements Townhouse has with particular Software Suppliers) for the Salons. The terms of the software license and agreements with Townhouse are available on request;

(7) to use the Townhouse Software in accordance the software license agreements Franchisee enter into with Townhouse or Software Suppliers and the Manual;

(8) to implement the Townhouse Software prior to the opening of the first Salon and to maintain such Townhouse Software during the Term. Franchisee acknowledges and agrees that Townhouse will have no obligation to provide Franchisee with access to the Townhouse Software until Franchisee has purchased, received and installed the Townhouse Hardware;

(9) not to block any remote access functionality or other access for Townhouse to the Townhouse Software and Booking Platform and to permit access by Townhouse to real time reporting as required by Townhouse subject to Applicable Data Protection Law;

(10) to use the Townhouse Hardware and the Townhouse Software in accordance with the Manual and exclusively for the purpose of operating Franchisee's Business.

9.13 Compliance with System Standards

9.13.1 Franchisee acknowledges and agrees that operating and maintaining the Salon according to System Standards are essential to preserve the goodwill of the Marks and all Townhouse Salons. Therefore, Franchisee agrees at all times to operate and maintain the Salon according to all of Franchisor's System Standards, as Franchisor periodically modify and supplement them. Although Franchisor retain the right to establish and periodically modify System Standards that Franchisee has agreed to maintain, Franchisee retain the right to and responsibility for the day-to-day management and operation of the Salon and implementing and maintaining System Standards at the Salon. If Franchisee fails to implement, maintain, and/or comply with System Standards, Franchisor may terminate Franchisee's right to operate the Salon, and/or take other actions to enforce the System Standards.

9.13.2 As examples, and without limitation, System Standards may regulate any one or more of the following, in addition to the topics described in this Section 9:

- (1) all client services used in connection with the Salon;
- (2) recommended or suggested staffing levels and client service standards for the Salon; identifying the Salon's personnel; and recommended or suggested employee qualifications, training, dress, and appearance (although Franchisee has sole responsibility and authority concerning employee selection and promotion, employment records, work schedules, discipline, hours worked, rates of pay and other benefits, work assigned, and working conditions, despite any recommendations or advice Franchisor may provide);
- (3) sales, marketing, advertising, and promotional programs and materials and media used in these programs;
- (4) use and display of the Marks at the Salon and on signs, contracts, products and supplies;
- (5) days and hours of operation;
- (6) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to Franchisor of sales, revenue, financial performance, and condition; and giving Franchisor copies of tax returns and other operating and financial information concerning the Salon;
- (7) any other aspects of operating and maintaining the Salon that Franchisor determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks and Townhouse Salons.

Franchisee agrees that the System Standards Franchisor prescribes in the Manual, or otherwise communicates to Franchisee in writing or another tangible form (for example, via a System Online Site), are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

9.14 Modification of System Standards

Franchisor periodically may modify System Standards, and these modifications may obligate Franchisee to invest additional capital in the Salon and/or incur higher operating costs. Franchisee agrees to implement any changes in System Standards within the time period Franchisor requests, whether they

involve refurbishing or remodeling the Site or any other aspect of the Salon, buying new Operating Assets, adding new services, or otherwise modifying the nature of Franchisee's operations, as if they were part of this Agreement as of the Effective Date.

9.15 Improvements in the System Standards

If Franchisee conceives and develops any Improvements during the Term, it shall disclose fully to Townhouse any Improvements before implementing them and Townhouse shall determine at its sole discretion the feasibility and desirability of incorporating them into the System and the Business. Any Improvement(s) approved by Townhouse shall become Townhouse's exclusive property and may be used by Townhouse and all of its franchisees without any obligation on Townhouse and/or its franchisees for royalties or otherwise and any and all intellectual property rights in any such Improvements shall vest in Townhouse.

9.16 Complaints

Franchisee agrees:

(1) to notify Townhouse of all substantial customer or other complaints (such as those which relate to personal injury, damage to property, serious Product defects or any other issue which could adversely affect the reputation of the Marks) within twenty-four (24) hours of receipt by Franchisee;

(2) to deal effectively and courteously with issues raised by customers and to take timely corrective action of any customer feedback, regardless of the source, in line with the procedures set out in the Manual;

(3) to handle all complaints in such way as Townhouse shall from time to time direct. Failing this, Townhouse shall be entitled to handle such complaints directly as Townhouse, in its complete discretion, thinks fit, after consultation with Franchisee and Townhouse may charge Franchisee for all resulting expenses; and

(4) to comply with the terms of any settlement Townhouse may arrange in response to any such complaint.

9.17 Conduct

Franchisee agrees:

(1) not to engage in any activity or practice, or conduct Franchisee's Business in any way which may be reasonably anticipated to result in public criticism of or embarrassment to Townhouse, Franchisee, the Business, Townhouse's ultimate owners or Franchisee's Business or which may, in any way, adversely affect the reputation of the Business, the Network or the Marks;

(2) to carry on Franchisee's Business diligently and fully exploit the rights granted in this Agreement by devoting a sufficient time and resources to ensure the successful operation of Franchisee's Business and to carry on Franchisee's Business in a manner in all material respects satisfactory to Townhouse and as may be reasonably required by Townhouse from time to time in order to maintain Townhouse's image and reputation;

(3) to attend at its own expense all meetings of Townhouse's franchisees and any national or regional meetings which Townhouse may organise;

(4) to not make, and to cause its Affiliates, and any person speaking on its or their behalf not to make, to the greatest extent permitted by Legal Requirements, any statement or take any action that could be construed as politically charged, including but not limited to support, encouragement or criticism of any kind of any political party, government, military, or quasi-military or quasi-governmental organization, or any public figure; provided however, that this restriction shall not apply to any person who is speaking or acting on their personal behalf, and is not identified as working for, nor could be inferred as speaking for or on behalf of, Franchisee or otherwise related to the “Townhouse” brand; and

(5) to participate in and invest in the necessary Equipment for any loyalty card, memberships, treatment series or similar schemes operated or to be operated by Townhouse and comply with the terms of such schemes and to honor such credit devices, programs and plans as may be issued or approved by Townhouse from time to time in accordance with the Manual.

9.18 Customers; Customer Satisfaction Tracking.

Franchisee agrees:

(1) to acknowledge that all customers of Franchisee’s Business are, for the purposes of this Agreement (but not as regards any liability of or for defective products, services or otherwise), Townhouse’s customers and not Franchisee’s;

(2) to refrain from actively seeking customers of Franchisor’s own Townhouse Salons or Townhouse Salons operated by Townhouse’s other franchisees and to exploit the rights hereby granted only from the Salon;

(3) not to withhold information legally required, and/or required by Townhouse, to be given to customers, nor to make any misleading warranties or representations in respect of the Products or Services in the conduct of Franchisee’s Business but to make only such representations in respect of the Products or Services as Townhouse may from time to time require;

(4) throughout the Term to solicit feedback, carry out and report to Townhouse using such customer satisfaction tracking techniques as Townhouse requires;

(5) to participate in any mystery shopper program arranged by Townhouse to assess independently the Salons’ compliance with the KPIs. The mystery shopper program provider will conduct mystery shopper inspections at such reasonable frequency as stated in the Manual and following their inspection, the mystery shopper program provider will provide a report of their inspection to both Townhouse and Franchisee in the same format;

(6) to comply with any recommendations and instructions from the mystery shopper program provider and/or Townhouse, including any relating to the performance by Franchisee and/or any members of Franchisee’s staff in the operation of the Salons, arising from the mystery shopper program within ten (10) Business Days of notice to Franchisee from the mystery shopper program provider and/or Townhouse setting out any recommendations and instructions;

(7) to produce such evidence as Townhouse requests, within thirty (30) days of such request, to demonstrate that Franchisee has complied with any remedial action, recommendations or instructions resulting from the mystery shopper program; and

(8) to pay Townhouse’s costs (including any costs and/or fees paid by Townhouse to a third party provider) associated with the implementation and operation of a mystery shopper program.

9.19 Minimum Performance Standards

9.19.1 Franchisee shall use its best efforts to maintain and increase the turnover of Franchisee's Business and not to do anything that would reduce the turnover of Franchisee's Business. Franchisee acknowledges and agrees that the limited territorial grant described in Section 2 is conditioned upon its compliance with this Agreement and Franchisor's Minimum Performance Standards. Franchisee also must achieve and maintain satisfactory scores on client satisfaction surveys and business analyses that Franchisor establishes, including the following:

(a) A minimum brand standard audits score as set out in the Manual.

(b) An average Google (or such successor platform as Townhouse designates) review rating of 3.8 out of 5.0 or higher (or such similar multiple or equivalent percentage as relevant). Such Google review ratings for the Salon shall be the publicly visible composite average score listed by Google (or such successor platform as Townhouse designates) for the Salon on the last day of each calendar quarter. If Franchisee is able to demonstrate that individual reviews have been left maliciously and not by bona fide customers, these will be excluded from any composite score and Townhouse will make a reasonable adjustment. Equally, if Townhouse has reason to suspect, in its sole discretion, that individual reviews are not from bona fide customers or there is no evidence thereof, these will be excluded from any composite score and Townhouse will make a reasonable adjustment, in both cases by adjusting the composite score by removing the review in question and recalculating as though the composite score was calculated as a simple average.

(c) An average Zenoti (or such successor Booking Platform as Townhouse designates) review rating of 3.8 out of 5.0 or higher (or such similar multiple or equivalent percentage as relevant). Zenoti review ratings for the Salon shall be the simple average of all reviews received by Zenoti in relation to the Salon in each calendar quarter as calculated and reported by Zenoti following the end of the relevant calendar quarter. If Franchisee is able to demonstrate that individual reviews have been left maliciously and not by bona fide customers, these will be excluded from any composite score and Townhouse will make a reasonable adjustment. Equally, if Townhouse has reason to suspect, in its sole discretion, that individual reviews are not from bona fide customers or there is no evidence thereof, these will be excluded from any composite score and Townhouse will make a reasonable adjustment, in both cases by adjusting the composite score by removing the review in question and recalculating as though the composite score was calculated as a simple average.

(d) The Salon shall be open for an average of at least 48 hours per week, and not less than 2 team members on duty during all opening hours.

9.19.2 If Franchisee fails to achieve the Minimum Performance Standards in any Quarter during the Term, Franchisee shall meet with Townhouse within five (5) Business Days of the end of the Quarter and agree a remedial plan. If Franchisee thereafter fails to satisfy the Minimum Performance Standards, and fails to cure any deficiencies, Franchisor may take any one or more of the following actions:

(a) Reduce the size of Franchisee's Salon Protected Area; and/or

(b) Establish, or license or franchise others to establish, a Townhouse Salon in Franchisee's Salon Protected Area; and/or

(c) Terminate this Agreement.

9.20 Misappropriation of Funds

Franchisee shall not: (a) withhold from any Relevant Authority or misdirect or appropriate for its own use, any funds that it has withheld from its employees' wages in respect of Tax, insurance or other benefits; (b) generally fail to deal fairly and honestly with its employees or customers; (c) comply with all applicable wage and hour laws; and/or (d) knowingly permit or having discovered the facts fail to take any action against or to discharge any agent or employee who has embezzled any funds or property of any of its other employees and/or customers.

9.21 PCI Standards

Franchisee shall not handle customer credit, debit or similar payment cards other than in compliance with the Manual and at no time using a payment gateway other than that provided by or required by Townhouse. Should PCI compliance (or any similar replacement framework) at any point become a requirement of Franchisee, then Franchisee shall:

(1) when transacting with customers of Franchisee's Business (hereinafter referred to as "customers" for the purposes of this Clause), comply with Payment Card Industry Data Security Standards Level One from time to time in force (the "PCI Standards"), either through the relevant audit or the self-assessment process, and shall be responsible for the security of all and any cardholder data provided to it by customers or any other person;

(2) on request by Townhouse, promptly provide Townhouse with the required evidence as listed in the Manual in order to confirm that it is compliant with the relevant PCI Standards;

(3) report any failure to comply with the relevant PCI Standards or any breach of security of its payment card data, whether such failure to comply is identified by it, any competent Relevant Authority, any auditor, or any other person, to Townhouse within twenty-four (24) hours of such failure to comply being identified by, or notified to, it, as the case may be; and

(4) at the request of Townhouse at any time Franchisee is not compliant with the relevant PCI Standards, or has failed to provide the evidence to demonstrate such compliance, immediately cease collecting any further cardholder data from customers, and only to seek payment from customers through alternative methods agreed by Townhouse, until such time as it has demonstrated that it is compliant with the relevant PCI Standards.

9.22 Quality Control, Inspection, and Audits.

(1) Franchisee shall use its best efforts to achieve the KPIs set out in the Manual and the respective Business Plan. If Franchisee fails to meet the KPIs it will take such action as Townhouse reasonably requires to remedy any deficiencies in the operation Franchisee's Business and/or the performance of its staff.

(2) Franchisee shall promptly and fully to co-operate and comply with all Townhouse's requests in the course of any and all quality control activities carried on by Townhouse or on Townhouse's behalf and to comply with and carry out (and to use its best endeavors to ensure that any third party complies with and carries out) all of Townhouse's instructions and requests aimed at ensuring quality control. Franchisee acknowledges the importance of Townhouse's standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks.

(3) Franchisee shall permit Townhouse and/or its representative without any further notice, (and, if necessary, make arrangements to enable Townhouse and/or its representative) to inspect the quality of Franchisee's Business and to speak to customers and Franchisee's employees about Franchisee's Business and the Products it provides so as to ensure that the standards associated with the Marks are being achieved and maintained.

(4) Franchisee shall allow Townhouse to audit the performance and quality of the Salon at the frequency specified in the Manual, either itself or by instructing an independent auditor ("Audits"). Townhouse shall provide Franchisee with the full written report of each Audit as soon as practicable after Townhouse receives the report. If the Audit of the Salon reveals Franchisee is not in compliance with the terms of this Agreement or the Manual (an "Audit Failure") Townhouse shall have the right to provide Additional Support and conduct a further Audit of the Salon following completion of the Additional Support to ensure ongoing compliance with the terms of this Agreement ("Re-Audit"). Franchisee shall be solely responsible for the costs of the Re-Audits as set out in the Manual. If an Audit, Re-Audit or visit by Townhouse reveals that there is an issue that is an immediate risk to public safety, public health, food safety, fire safety, or licensing, or other regulatory standards compliance, Townhouse shall be entitled to require that the Salon be closed to the public until such time as the issue is remedied to Townhouse's satisfaction. If the Salon suffers three (3) successive Audit Failures (which shall include failures as a result of a Re-Audit), Townhouse shall have the right to terminate the applicable Operating Certificate with immediate effect on Notice.

9.23 Data; Ownership of Data

9.23.1 Franchisee agrees that all data that Franchisee collect from clients, customers and potential clients and customers in connection with the Salon ("**Customer Data**") is deemed to be owned exclusively by Townhouse, and Franchisee also agree to provide the Customer Data to Franchisor at any time that Franchisor requests Franchisee to do so. Franchisee has the right to use Customer Data while this Agreement or a successor franchise agreement is in effect, but only in connection with operating the Salon and only in accordance with the policies that Franchisor establish from time to time.

9.23.2 The Franchisee shall subject to this Section 19.22 and in accordance with the requirements of the Manual (including privacy policies and standards), only record Customer data within the Booking Platform and shall ensure that Customer Data, including contact details, are accurately recorded therein and not take any action to restrict such recording.

9.23.3 The Franchisee will, subject to applicable data protection laws, deliver copies of all Customer Data in its possession and/or facilitate access by Townhouse to all Customer Data collected by the Franchisee as a result of the operation of the Franchisee's Business in a form and at a frequency specified by Townhouse.

9.23.4 For the purposes of Applicable Data Protection Law, the Franchisee acknowledges that Townhouse and the Franchisee will be acting as separate data controllers in respect of the Customer Data collected for the purposes of this Agreement and that as a data controller, each party shall comply with the provisions of all applicable Legal Requirements and best practice relating to privacy and data protection (including the Applicable Data Protection Law) in the use and processing of any Customer Data, including supporting the rights, such as deletion, rectification, access or restriction of processing for any reason, of any individuals whose data is included in Customer Data, and take such steps as shall enable the compilation, processing and use of the databases referred to or created pursuant to Section 19.22 and Section 19.22.2 in accordance with the provisions of this Agreement.

9.23.5 Without prejudice to the generality of the foregoing, the Franchisee will:

(a) keep all Customer Data and any analyses, profiles or documents derived from it secure and separate from all other data and documentation which is not related to the Franchisee's Business;

(b) implement and maintain throughout the Term appropriate technical and organisational measures to protect Customer Data against unauthorised or unlawful processing, access or use and against accidental loss, destruction, damage, alteration or disclosure (a "Data Breach"). These measures will as a minimum comply with applicable Legal Requirement and be appropriate to the harm which might result from unauthorised or unlawful processing or accidental loss, destruction or damage to Customer Data and to the nature of the Customer Data which is to be protected;

(c) ensure that any of the Franchisee's staff who process Customer Data for the purposes of this Agreement are reliable and have been trained in relation to the requirements of Applicable Data Protection Law and in the care and handling of personal data;

(d) not perform the Franchisee's obligations under this Agreement in a way as that causes (or is likely to cause) Townhouse to breach any applicable obligations under Applicable Data Protection Law or any other applicable privacy and/or data protection laws or regulations;

(e) at the Franchisee's expense render such assistance and cooperation as Townhouse may require to assist Townhouse to comply with Townhouse's own obligations under Applicable Data Protection Law or any other applicable Legal Requirements;

(f) promptly notify Townhouse of any complaint, communication or request relating to Applicable Data Protection Law; and

(g) promptly notify Townhouse in writing in the event of a Data Breach, in which event the Franchisee will take such action and execute and deliver such documents (at the Franchisee's expense) as Townhouse may require in order to remedy or mitigate the effects of the Data Breach.

9.23.6 Notwithstanding the Franchisee's acknowledgement that the Franchisee will be acting as a separate data controller in respect of Customer Data for the purpose of this Agreement, to the extent that there are any particular circumstances in which the Franchisee processes Customer Data as a data processor on Townhouse's behalf (including circumstances where Townhouse is acting as a data controller), the Franchisee warrants and agrees that it will do so only in accordance with Townhouse's instructions.

9.23.7 All rights (including all database rights) and data held by the Franchisee pursuant to this Section 9.22 will so far as is possible under the provisions of the relevant applicable Legal Requirement belong solely and absolutely to and be vested in Townhouse, and the Franchisee will take all steps reasonably requested by Townhouse to vest any unvested rights in Townhouse and neither any such list of Customer Data nor any of the contents or information set out in it will be used by the Franchisee for any purpose, other than in the normal course of operation of the Franchisee's Business without approval.

9.23.8 For the purposes of this Clause the terms "data controller", "data processor", "process" and "processing" will have the meanings set out in Applicable Data Protection Law.

9.23.9 In relation to Customer Data, Townhouse reserves the right to verify the Franchisee's compliance with the terms of the Agreement, including verification that the Customer Data is

and has been held in accordance with the confidentiality and security obligations which apply to the Customer Data under this Agreement. The Franchisee will promptly and fully provide Townhouse with access to all information necessary to carry out such verification, including:

- (a) the Franchisee's data protection policies, privacy notices, data security policies and data protection and security training, marketing notices and consent forms and opt-out forms and direct marketing policies and training;
- (b) confidentiality terms in place with employees and third parties who have or may have access to the Customer Data; and
- (c) any independent third party reports available to the Franchisee regarding security of systems and data held by it (including the Customer Data).

9.24 Privacy Laws

Franchisee agrees to abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information (“**Privacy Laws**”). Franchisee agrees to comply with Franchisor’s standards and policies pertaining to Privacy Laws. If there is a conflict between Franchisor’s standards and policies pertaining to Privacy Laws and applicable law, Franchisee will: (i) comply with the requirements of applicable law; (ii) immediately provide Franchisor with written notice of said conflict; and (iii) promptly and fully cooperate with Franchisor and its counsel in determining the most effective way, if possible, to meet Franchisor’s standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee agrees that Franchisee will not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor’s prior written consent as to said policy.

9.25 Artificial Intelligence

Franchisee will not, without Franchisor’s written consent, utilize any artificial intelligence software, tools, or technologies, including, natural language processing, deep learning algorithms, or machine learning models (“**AI**”) directly or indirectly in the operation of the Salon, including without limitation, in advertising, promotion, or marketing of the Salon, communications with customers, business planning, analysis or optimization, or in any social media without the permission of Townhouse. Franchisee acknowledges and agrees not to upload or share any Confidential Information (including any inputs of information containing trade secrets, sensitive confidential information, or personal information) with any unapproved third-party platforms, including AI, except as authorized in writing by Franchisor. In addition, Franchisee shall prohibit its employees from using any Confidential Information in AI. In the event Franchisee utilize any AI, with or without prior approval from Franchisor, Franchisee shall comply with all laws applicable to such use, including without limitation, all trademark, copyright, and biometric laws, and shall not infringe upon or use intellectual property of a third-party without appropriate authorization and attribution.

10. MARKETING

10.1 Marketing Contributions and Expenditures

Franchisee acknowledges and recognizes the value of the Townhouse brand and Marks, the need to develop, enhance, and promote the Townhouse brand and Marks, and the need to advertise and market the Townhouse brand and Townhouse Salons. Franchisee also acknowledges and recognizes the importance of the standardization of advertising and marketing programs to the furtherance of the goodwill and public image of the Townhouse brand and Townhouse Salons. Therefore, Franchisee agrees to (a) contribute to

the Brand Marketing Fund pursuant to Section 10.2, and (b) make local advertising and marketing expenditures pursuant to Section 10.3.

10.2 Brand Marketing Fund

10.2.1 Franchisee acknowledges and agrees that the image of the Townhouse brand, the Marks, and Townhouse Salons held by the public in general, by clients and customers, and by Townhouse Salon managers and employees, is important to the System and the Marks. Franchisor has established a Brand Marketing Fund for the enhancement and protection of the Townhouse brand and Marks, and for the advertising, marketing, and public relations programs and materials as Franchisor deems appropriate. Franchisee agrees to contribute to the Brand Marketing Fund the amount set out in Exhibit A.

10.2.2 Franchisor will have sole discretion to use the Brand Marketing Fund, and monies in the Brand Marketing Fund, for any purpose that Franchisor designates that Franchisor believe will enhance and protect the Townhouse brand and Marks, will improve and increase public recognition and perception of the Townhouse brand and Marks and Townhouse Salons, and will improve and enhance the perception of Townhouse Salons held by franchisees, managers, and other employees of Townhouse Salons. Among the programs, concepts, and expenditures for which Franchisor may utilize the Brand Marketing Fund monies are: creative development and production of print ads, commercials, social media advertising and promotions, radio spots, direct mail pieces, door hangers, and other advertising and promotional materials; creative development of, and preparing, producing, and placing video, audio, and written materials and electronic media; media placement and buying, including all associated expenses and fees; implementation of digitally identifiable marketing phone numbers; deployment and execution of marketing technology; selection and support of sponsorships; administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys, including the use of “secret ‘shoppers’ or clients”; lead sharing or lead generating services or vendors; the creative development of, and actual production associated with, promotions, public relation events, and charitable or nonprofit events; creative development of signage and posters; employee recognition and awards events and programs; periodic national and regional conventions and meetings; Online Site, extranet and/or intranet development, implementation, and maintenance; retention and payment of advertising and promotional agencies and other outside advisors including retainer and management fees; and public relations and community involvement activities and programs. Franchisor will direct all programs that the Brand Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation.

10.2.3 Franchisor will account for the Brand Marketing Fund separately from its other funds and not use the Brand Marketing Fund for any of its general operating expenses. However, Franchisor may use the Brand Marketing Fund to pay administrative costs of the Brand Marketing Fund including managing the advertising, marketing, and promotional programs, and Franchisor may use the Brand Marketing Fund to pay the reasonable salaries and benefits of personnel (including its personnel and personnel of its Affiliates) who manage and administer the Brand Marketing Fund. Franchisor may use the Brand Marketing Fund to pay for other administrative costs, travel expenses of personnel while they are on Brand Marketing Fund business, meeting costs, overhead relating to Brand Marketing Fund business, and other expenses that Franchisor incurs in activities reasonably related to administering or directing the Brand Marketing Fund and its programs.

10.2.4 The Brand Marketing Fund will not be Franchisor’s asset. Although the Brand Marketing Fund is not a trust, Franchisor will hold all Brand Marketing Fund contributions for the benefit of the System, the Townhouse brand, and the contributors, and use contributions only for the purposes described in this Section. Franchisor does not owe any fiduciary obligation to Franchisee for administering the Brand Marketing Fund or any other reason. The Brand Marketing Fund may spend in any fiscal year

more or less than the total Brand Marketing Fund contributions in that year, borrow from Franchisor or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. Franchisor will use all interest earned on Brand Marketing Fund contributions to pay costs before using the Marketing Fund's other assets.

10.2.5 Franchisor will prepare an annual, unaudited statement of Brand Marketing Fund collections and expenses. The statement will be available for Franchisee's review upon written request, ninety (90) days after Franchisor's fiscal year end. Franchisor may have the Brand Marketing Fund audited annually, at the Brand Marketing Fund's expense, by an independent certified public accountant. Franchisor may incorporate the Brand Marketing Fund or operate it through a separate entity whenever Franchisor deems appropriate. The successor entity will have all of the rights and duties specified in this Section.

10.2.6 Franchisor intends the Brand Marketing Fund to maximize and enhance public, franchisee, and employee recognition of the Townhouse brand, Marks and Townhouse Salons. Although Franchisor may use the Brand Marketing Fund, or portions of the monies in the Brand Marketing Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and Franchisor may try to engage in brand enhancement activities that will benefit all Townhouse Salons, Franchisor cannot and does not ensure that Brand Marketing Fund expenditures will be made in or affecting any geographic area, or will be proportionate or equivalent to Brand Marketing Fund contributions by Townhouse Salons operating in that geographic area. Franchisor does not guarantee or assure that any Townhouse Salon will benefit directly or in proportion to its Brand Marketing Fund contribution from the brand enhancement activities of the Brand Marketing Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

10.2.7 Franchisor has the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Marketing Fund contributions at the Brand Marketing Fund's expense. Franchisor also may forgive, waive, settle, and compromise all claims by or against the Brand Marketing Fund. Except as expressly provided in this Section, Franchisor assumes no direct or indirect liability or obligation to Franchisee for collecting amounts due to, maintaining, directing, or administering the Brand Marketing Fund.

10.2.8 Franchisor may at any time defer or reduce contributions of a Townhouse Salon franchisee and, upon thirty (30) days prior written notice to Franchisee, reduce or suspend Brand Marketing Fund contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Marketing Fund. If Franchisor determines to terminate the Brand Marketing Fund, Franchisor will not terminate the Brand Marketing Fund until all of the monies have been spent for marketing and promotional activities.

10.3 By Franchisee

10.3.1 Franchisor will work with Franchisee to develop an advertising and marketing plan (the **Plan**) for Franchisee, its Salon, and its Salon Protected Area at least forty-five (45) days prior to opening. Franchisee must comply with all requirements regarding the Plan, including use of approved advertising and marketing materials, placement and purchase of advertising and marketing materials and media, and compliance with all promotional recommendations. In addition to Franchisee's Brand Marketing Fund contribution obligations in Sections 10.1 and 10.2 above, Franchisee agrees to spend the amount required to advertise and promote its Salon in accordance with its Plan. Franchisee's expenditures may include the costs to design or develop local marketing programs, subject to Franchisor's approval. Franchisee agrees to send Franchisor, in the manner Franchisor prescribes, an accounting of its expenditures for local advertising and promotion at such times, and for such reporting periods, as Franchisor may specify from time to time. Franchisor reserves the right to collect the required local advertising and marketing

expenditures from Franchisee and to spend such amounts to implement the Plan for Franchisee. If Franchisee fails to expend the required amount, then any amounts that Franchisee should have expended must be contributed to the Brand Marketing Fund at such times as Franchisor specifies.

10.3.2 Franchisor reserves the right to establish or designate specialized, or regional, or special-focused advertising, marketing or media campaigns (“**Special Campaigns**”) that may or may not involve Franchisee and/or other Townhouse Salons. If Franchisor establishes or designates a Special Campaign that is or will be applicable to Franchisee, Franchisee must participate in that campaign and contribute to the costs of the Special Campaign in the amounts and in the manner that Franchisor specifies. Any amounts that Franchisee spend or contribute to or for the Special Campaign will be credited toward its required advertising/promoting expenditure under this Section 9.3.

10.3.3 Franchisor may require Franchisee to participate with other Townhouse Salons in joint, collective, or market-wide advertising, marketing, or promotional campaigns or programs as part of Franchisee’s Plan, and to pay its share of that joint, collective, or market-wide advertising or program. Franchisee’s local advertising and promotion must follow Franchisor’s guidelines, which may include, among other things, requirements for, or restrictions regarding, the use of the Marks and notices of Franchisor’s Online Site’s domain name in the manner Franchisor designates. Franchisee may not own, develop, maintain, control or authorize, without Franchisor’s prior written approval, any Online Site that mentions or describes Franchisee or the Salon or displays any of the Marks. Franchisee agrees that its advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that Franchisor prescribes from time to time. Franchisee may use direct advertising only directed to customers located within Franchisee’s Salon Protected Area. Franchisor may specify third parties that Franchisee must use for the design and development of its local advertising; however Franchisee will be required to pay those third parties directly without any offset to its required local expenditure requirements.

10.4 Marketing Launch Program

In addition to and not in lieu of the Brand Marketing Fund contribution and other expenditures for local marketing and promotion, Franchisee shall, if this Agreement is for Franchisee’s first or second Salon, pay the Marketing Launch Fee to Franchisor. The Marketing Launch Fee will be used for grand opening advertising, marketing and promotional programs in conjunction with the opening of the Salon, pursuant to a marketing launch plan developed with and approved in writing by, Franchisor (“**Marketing Launch Program**”). The Marketing Launch Program must commence at least thirty (30) days prior to opening and conclude within sixty (60) days of opening or within such a time Franchisor may recommend. Franchisor may designate a different time period for Franchisee to conduct the Marketing Launch Program. Franchisee’s Marketing Launch Program must include the promotional elements Franchisor requires, and Franchisor must approve of Franchisee’s Marketing Launch Program before it is conducted. At Franchisor’s option, Franchisor will conduct the Marketing Launch Program on Franchisee’s behalf.

10.5 Approvals

For all proposed advertising, marketing, and promotional plans, Franchisee will submit samples of such plans and materials to Franchisor (by means described in Section 18 below), for Franchisor’s review and prior written approval (except with respect to prices to be charged by Franchisee). If written approval is not received by Franchisee from Franchisor within ten (10) days of the date of receipt by Franchisor of such samples or materials, Franchisor will be deemed to have not approved them. Franchisee acknowledges and agrees that any and all copyright in and to advertising and promotional materials developed by Franchisee or on its behalf will be Franchisor’s sole property, and Franchisee must execute such documents

(and, if necessary, require Franchisee's independent contractors to execute such documents) as may be deemed reasonably necessary by Franchisor to give effect to this provision.

10.6 Online Sites

In furtherance of Franchisor's policies regarding Online Sites and the presence of the "Townhouse" brand on the Internet, Franchisor has the right to establish, maintain, and modify one or more Online Sites that identify the "Townhouse" brand, system, and businesses that operate under Franchisor's Marks. Currently, Franchisor intends to establish webpages or listings on one website that identify individual Townhouse Salons, including Franchisee's Salon. Franchisor's current website strategy, which Franchisor has the right to change from time to time, includes utilizing its website and various webpages for lead generation purposes, press releases, brand marketing, promotion, and dissemination of other information related to the Townhouse Salons. Franchisor has the right to establish, maintain, and modify different types of online properties including mobile versions of its Online Sites, and static and dynamic landing pages. Unless Franchisor has otherwise approved in writing, Franchisee agrees to neither establish nor permit any other party to establish an Online Site relating in any manner whatsoever to the Salon or referring to the Marks. Franchisor will have the right, but not the obligation, to provide one or more references or webpage(s), as Franchisor may periodically designate, within its Online Site. The term "**Online Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including, but not limited to, the Internet, World Wide Web, webpages, microsites, mobile phones, social networking sites (e.g., Facebook, Twitter, LinkedIn, Franchisee Tube, Google Plus, Instagram, Pinterest, etc.), blogs, vlogs, applications to be installed on mobile devices (e.g., iPad or Droid apps), and other applications, etc.

10.7 E-Mail, Internet, and Other Media

Franchisee must comply with Franchisor's requirements and policies (as described in the Manual or otherwise in writing) with respect to the transmission of all e-mails in connection with the Salon, and in connection with discussing, advertising, or disseminating any information, or otherwise having a presence, on the Internet, or in any other media, regarding the Salon. Such activities include, without limitation, participation in any Internet "blogs" or social networking sites. Any such activities which are not expressly permitted in the Manual or otherwise in writing, or for which Franchisee has not previously received approval from Franchisor, shall be subject to Franchisor's approval as described in Section 10.5 above.

11. RECORDS, REPORTS, AND FINANCIAL STATEMENTS

11.1 Records and Reports

Franchisee agrees to establish and maintain at its own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats Franchisor prescribes from time to time, which system may be part of the Computer System and/or Booking Platform. Franchisor reserves the right to require that Franchisee maintain a fiscal year different than the calendar year, and one that is consistent with Franchisor's fiscal year. In addition, Franchisor reserves the right to require that Franchisee hire and utilize a bookkeeping and/or accounting service that Franchisor designates or approves. Franchisor may require Franchisee to use the Computer System to maintain certain sales data, financial data and other information. Franchisee must comply with Franchisor's requirements regarding inputting of data, preparing reports, and transmitting data and reports to Franchisor, using the Computer System in the manner and at such times as Franchisor specifies. Franchisee agrees to prepare and provide to Franchisor, in the manner and format that Franchisor prescribes from time to time (which may include reporting through the Computer System and/or maintaining the Computer System to enable Franchisor to access Franchisee's records to obtain the following reports):

- (a) a monthly operating report and/or income statement with business and operating statistics of the type and in the form and manner that Franchisor specifies;
- (b) monthly and quarterly profit and loss and source and use of funds statements and a balance sheet for the Salon as of the end of the prior calendar month and quarter;
- (c) within one hundred and twenty (120) days after the end of each calendar year, or the fiscal year, as specified by Franchisor, the operating statements, financial statements, statistical reports, and other information Franchisor requests regarding Franchisee and the Salon covering the previous calendar or fiscal year; and
- (d) within fifteen (15) days after Franchisor's request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information Franchisor periodically require relating to the Salon and to each of Franchisee's owners holding over a ten percent (10%) ownership interest.

Franchisee agrees to verify and sign each report and financial statement in the manner Franchisor prescribes. Franchisor may disclose data derived from these reports, including in future Franchise Disclosure Documents, although Franchisor will not without Franchisee's consent (unless required by law) disclose its identity in any materials that Franchisor circulates publicly. Moreover, Franchisor may, as often as Franchisor deems appropriate (including on a continual basis), access the Computer System and retrieve all information relating to the Salon's operation.

11.2 Default in Reporting Obligation

In the event Franchisee has been in default of any financial, payment, or reporting obligation under this Agreement, even if cured, more than twice during the term of this Agreement, Franchisor reserves the right to require that Franchisee prepare, and provide to Franchisor, audited financial statements on an annual basis. In addition, Franchisee must provide Franchisor with audited financial statements in the event Franchisee prepares them for any other purpose.

11.3 Books and Records

Franchisee agrees to preserve and maintain all records (including, but not limited to, sales checks, purchase orders, invoices, payroll records, customer and client lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers) in a secure location at the Salon for a period of at least five (5) years, or such longer period of time as may be required under applicable federal, state and local laws, regulations and requirements.

11.4 Franchisor's Right to Audit

Franchisor may, fifteen (15) days after its request, examine Franchisee's (if Franchisee is an Entity) and the Salon's business, bookkeeping, and accounting records, sales and income tax records and returns, and other records. Franchisee agrees to cooperate fully with Franchisor, its representatives, accountants, auditors, representatives, and/or contractors in any examination. Franchisor may conduct its audit or examination at its offices or the offices of its representative, accountant, auditor, or contractor. If an examination is necessary due to Franchisee's failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis; then: (a) Franchisee agrees to reimburse Franchisor for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of Franchisor's employees; and (b) Franchisor may require Franchisee to provide Franchisor with periodic audited

statements. These remedies are in addition to Franchisor's other remedies and rights under this Agreement and applicable law.

12. TRANSFER

12.1 By Franchisor

Franchisee acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change as employees come and go. Franchisee represents that Franchisee has not signed this Agreement in reliance on any particular owner, shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor may undertake any of the following, without restriction or prior notice to Franchisee: Franchisor may change its ownership or form; Franchisor may be acquired by a third party or other investors; Franchisor may sell, assign, or transfer ownership interests in Franchisor or any of its Affiliates; and/or Franchisor may assign this Agreement and any other agreement to a third party. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement.

12.2 By Franchisee

Franchisee understands and acknowledges that the rights and duties this Agreement creates are personal to Franchisee (or, if Franchisee is an Entity, to its owners) and that Franchisor has granted Franchisee the rights and license under this Agreement in reliance upon Franchisor's perceptions of Franchisee's (or its owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without Franchisor's prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the Salon (or any right to receive all or a portion of the Salon's profits or losses or capital appreciation related to the Salon); (iii) the Lease; (iv) substantially all of the assets of the Salon; (v) any ownership interest in Franchisee (regardless of its size); or (vi) any ownership interest in any of Franchisee's owners (if such owners are legal entities). A transfer of the Salon's ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without Franchisor's approval is a breach of this Agreement and has no effect.

In this Agreement, the term "transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (1) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (2) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (3) any sale of a security convertible to an ownership interest;
- (4) transfer of an interest in Franchisee, this Agreement, the Salon or substantially all of its assets, or Franchisee's owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law;

(5) if Franchisee, one of its owners, or an owner of one of Franchisee's owners dies, a transfer of an interest in Franchisee, this Agreement, the Salon or substantially all of its assets, or Franchisee's owner by will, declaration of or transfer in trust, or under the laws of intestate succession; or

(6) pledge of this Agreement (to someone other than Franchisor) or of an ownership interest in Franchisee or its owners as security, foreclosure upon the Salon, or its transfer, surrender, or loss of the Salon's possession, control, or management. Franchisee may grant a security interest (including a purchase money security interest) in the Salon's assets (not including this Agreement) to a lender that finances Franchisee's acquisition, development, and/or operation of the Salon if Franchisee give Franchisor fifteen (15) days' prior written notice and if the pledge and/or financing satisfies Franchisor's requirements, which may include, without limitation, execution of agreements by Franchisor, Franchisee, and/or such owners, and any of its secured creditors, in a form satisfactory to Franchisor, acknowledging the creditor's obligations to be bound by the terms of this Section 12.

12.3 Conditions for Approval of Transfer

12.3.1 If Franchisee (and its owners) are fully complying with this Agreement, then, subject to the other provisions of this Section 12, Franchisor will approve a transfer that meets all of the requirements in this Section.

12.3.2 If Franchisee is an Entity, its owners may transfer a non-controlling ownership interest in Franchisee or its owners (determined as of the date on which the proposed transfer will occur), of less than a twenty percent (20%) direct or indirect equity or voting interest in Franchisee, if: (1) the proposed transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet Franchisor's then applicable standards for Townhouse Salon franchisees (including no ownership interest in, operation of, support of, provision of services or assistance to, or performance of services, for a Competing Business); and (2) Franchisee gives Franchisor prior written notice of the transfer.

12.3.3 For any other proposed transfer (including a transfer of this Agreement, a transfer of a controlling ownership interest in Franchisee or one of its owners, or a transfer which is one of a series of transfers (regardless of the time period over which these transfers take place) which in the aggregate transfers this Agreement or a controlling ownership interest in Franchisee or one of its owners, or a transfer of all or substantially all of the assets of the Salon), all of the following conditions must be met before or concurrently with the effective date of the transfer:

(1) The transferee has sufficient business experience, aptitude, and financial resources to operate the Salon;

(2) The transferee and its direct and indirect owners (if the transferee is an Entity) are of good character and otherwise meet Franchisor's then applicable standards for Townhouse Salon franchisees;

(3) Franchisee has paid all Service Fees, Brand Marketing Fund contributions, Townhouse Booking Platform Fees, and other amounts owed to Franchisor, its Affiliates, and third party vendors, have submitted all required reports and statements, and are not in violation of this Agreement at the time of transfer;

(4) Neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competing Business;

(5) The transferee (or its Designated Representative) satisfactorily completes Franchisor's training program at the then-current training cost;

(6) The transferee shall (if the transfer is of this Agreement), or Franchisee shall (if the transfer is of a controlling ownership interest in Franchisee or one of its owners), sign Franchisor's then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Service Fees, Brand Marketing Fund contributions, and any other fees or payments;

(7) Franchisee or the transferee pays Franchisor a transfer fee equal to fifty percent (50%) of Franchisor's then-current initial franchise fee or Initial Franchise Fee or such greater amount as is required to reimburse Franchisor for reasonable expenses associated with reviewing the transfer;

(8) Franchisee (and its transferring owners) sign a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's current and former shareholders, officers, directors, employees, and agents;

(9) Franchisor has determined that the purchase price and payment terms will not adversely affect the transferee's operation of the Salon;

(10) If Franchisee or its owners finance any part of the purchase price, Franchisee and/or its owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Salon are subordinate to the transferee's obligation to pay Service Fees, Brand Marketing Fund contributions, Townhouse Booking Platform Fees, and other amounts due to Franchisor, its Affiliates, and third party vendors and otherwise to comply with this Agreement;

(11) (a) Franchisee has corrected any existing deficiencies of the Salon of which Franchisor has notified Franchisee in writing or by electronic communications, and/or (b) the transferee agrees to upgrade and refurbish the Salon in accordance with Franchisor's then current requirements and specifications for new Townhouse Salons within the time period Franchisor specifies following the effective date of the transfer (Franchisor will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);

(12) Franchisee and its transferring owners (and Franchisee's and its owners' spouses) will not, for two (2) years beginning on the transfer's effective date, engage in any of the activities proscribed in Section 15.4 below;

(13) Franchisee and its transferring owners will not directly or indirectly at any time or in any manner (except with respect to other Townhouse Salons that Franchisee owns and operates) identify itself or themselves or any business as a current or former Townhouse Salon or as one of Franchisor's franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Townhouse Salon in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with Franchisor; and

(14) Any purchase and sale agreement between Franchisee and the transferee shall provide for and require that the Townhouse Salon shall continue to operate without interruption during the transfer.

Franchisor may review all information regarding the Salon that Franchisee give the transferee, correct any information that Franchisor believe is inaccurate, and give the transferee copies of any reports that Franchisee has given Franchisor or Franchisor has made regarding the Salon.

12.4 Transfer to a Wholly-Owned Corporation or Limited Liability Company

Despite Section 12.3 above, if Franchisee is fully complying with this Agreement, and other agreements with Franchisor, its Affiliates, and suppliers, after providing Franchisor with written notice, Franchisee may transfer this Agreement to a corporation or limited liability company which conducts no business other than the Salon and, if applicable, other Townhouse Salons, in which Franchisee maintains management control, and of which Franchisee owns and controls one hundred percent (100%) of the equity and voting power of all issued and outstanding ownership interests, provided that all of the Salon's assets are owned, and the Salon's Business is conducted, only by that single corporation or limited liability company. The corporation or limited liability company must expressly assume all of Franchisee's obligations under this Agreement. Transfers of ownership interests in the corporation or limited liability company are subject to Section 12.3 above. Franchisee agrees to remain personally liable under this Agreement as if the transfer to the corporation or limited liability company did not occur.

12.5 Franchisee's Death or Disability

(1) Transfer Upon Death or Disability. Upon Franchisee's or its Designated Representative's death or disability, Franchisee's or the Designated Representative's executor, administrator, conservator, guardian, or other personal representative must transfer Franchisee's interest in this Agreement, or the Designated Representative's ownership interest in Franchisee, to a third party (which may be Franchisee's or the Designated Representative's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed twelve (12) months from the date of death or disability, and is subject to all of the terms and conditions in this Section 12, including the payment of the transfer fee required under Section 12.3. A failure to transfer Franchisee's interest in this Agreement or the Designated Representative's ownership interest in Franchisee within this time period is a breach of this Agreement.

The term "disability" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent Franchisee or the Designated Representative from supervising the Salon's management and operation.

(2) Operation Upon Death or Disability. Upon Franchisee's or the Designated Representative's death or disability, Franchisee's or the Designated Representative's executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or disability, appoint a manager. The manager must complete Franchisor's standard training program. A new Designated Representative acceptable to Franchisor also must be appointed for the Salon, and that new Designated Representative must complete Franchisor's standard training program, within sixty (60) days after the date of death or disability.

12.6 Effect of Consent to Transfer

Franchisor's consent to a transfer of this Agreement and the Salon, or any interest in Franchisee or its owners, is not a representation of the fairness of the terms of any contract between Franchisee and the transferee, a guarantee of the Salon's or transferee's prospects of success, or a waiver of any claims Franchisor has against Franchisee (or its owners) or of Franchisor's right to demand the transferee's full compliance with this Agreement.

12.7 Public or Private Offering

In the event Franchisee or its Affiliates offer stock, partnership or other ownership or equity interests in Franchisee or its Affiliates and such offering or transfer of ownership requires, under federal or

state law, that Franchisee prepare and/or furnish materials to prospective purchasers or investors, all such materials required by federal or state law shall be submitted to Franchisor for review as described below at the earlier of at least thirty (30) days before such materials are offered to prospective purchasers or investors or are filed with any government agency. Franchisee must submit any materials to be used in any exempt offering for Franchisor's review prior to their use. No offering by Franchisee or its Affiliates may imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Franchisee or its Affiliates; and Franchisor's review of any offering will be limited solely to the relationship between Franchisee and Franchisor and any subsidiaries and Affiliates, if applicable, and will not constitute any opinion as to any legal requirement. Franchisor may require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence.

Franchisee (and the offeror, if it is not Franchisee), its owners, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, Affiliates, successor, and assigns, and their respective directors, managers, officers, members, shareholders, partners, agents, representatives, servants, and employees in connection with the offering and Franchisee shall execute any and all documents required by Franchisor to endorse such indemnification. For each proposed offering, Franchisee must pay Franchisor a non-refundable fee of Twenty Thousand Dollars (\$20,000) or such greater amount as is necessary to reimburse Franchisor for Franchisor's reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Franchisee must give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 12.7 commences. Franchisor may request additional information, and Franchisee may be required to defer the offering or transaction until all of Franchisor's requests are satisfied. Any such offering will be subject to all of the other provisions of this Section 12, including without limitation the terms set forth in Sections 12.2 and 12.3. Franchisee also agree that such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Franchisee, if Franchisee is not the offeror) after the financing is completed.

12.8 Franchisor's Right of First Refusal.

If Franchisee or its owners at any time seek or attempt to transfer all or substantially all of the Salon, all or substantially all of the assets of the Salon, this Agreement, or an ownership interest in Franchisee, or engage in any other transfer described in Sections 12.2 or 12.3, Franchisee (or its owners) must submit to Franchisor any bona fide written offer executed by a prospective purchaser and must disclose the identity of such prospective purchaser to Franchisor. For a period of thirty (30) days after Franchisor receive a copy of such offer, Franchisor has the right, exercisable by written notice delivered to Franchisee, to notify Franchisee of Franchisor's intent to purchase the interest which is the subject of the offer for the price, and then to purchase such interest, on the terms and conditions contained in the offer, provided that Franchisor may substitute cash for any form of payment proposed in the offer and have a minimum of sixty (60) days to prepare for closing. If Franchisor does not exercise its right of first refusal, Franchisee (or its owners) may complete the sale to the purchaser pursuant to and on the terms of the offer and in accordance with this Section, provided that if the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of the terms of the original offer to Franchisor, or if there is a material change in the terms of such offer, Franchisor shall again have the right of first refusal set forth above.

13. TERM AND SUCCESSOR AGREEMENT

13.1 Initial Term

The term of this Agreement will begin on the Effective Date and expire ten (10) years from the Commencement Date of the Salon (the "**Initial Term**"), unless sooner terminated as provided herein.

13.2 Franchisee's Right to a Successor Franchise Agreement

If Franchisee meets certain conditions, then Franchisee will have the option to request the right to operate the Salon for one (1) successor term immediately following the end of the Initial Term. The successor term will be ten (10) years. Franchisor may require Franchisee to satisfy any or all of the following as a condition of continuing the franchise relationship with Franchisor for each successor term:

(1) Franchisee has given Franchisor written notice of such election to renew not less than one hundred eighty (180) days, nor more than two hundred seventy (270) days before this Agreement expires;

(2) Franchisee and its Affiliates are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement with Franchisor or its Affiliates, and have substantially complied with all the terms and conditions of such agreements during the terms thereof;

(3) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor and have timely met these obligations throughout the term of this Agreement;

(4) Franchisee executes Franchisor's then-current form of franchise agreement ("**Successor Franchise Agreement**"), which agreement shall supersede in all respect this Agreement, and the terms of which may differ from the terms of this Agreement, including without limitation, fees to be paid, territory and territorial protections, and operating requirements;

(5) Franchisee signs a general release, in the form Franchisor requires, of any and all claims against Franchisor, its parent, and Franchisor's and their respective members, shareholders, officers, directors, agents and employees;

(6) Franchisee remodels the Salon to conform to Franchisor's then-current standards and specifications for new Salons, and shall comply with Franchisor's requirements for the completion of such remodeling in the timeframes specified by Franchisor, which may include completion prior to the grant of the Successor Franchise Agreement, or after execution of such agreement; provided, however, that failure to complete the required remodeling shall be grounds to immediate termination of the Successor Franchise Agreement upon notice to Franchisee;

(7) Franchisee complies with Franchisor's then-current qualification and training requirements; and

(8) Franchisee pays to Franchisor a successor fee equal to fifty percent (50%) of Franchisor's then-current initial franchisee fee.

13.3 Refusal to Execute Successor Franchise Agreement

If Franchisee (and each of its owners) are not, both on the date Franchisee gives Franchisor written notice of its election to request a Successor Franchise Agreement and on the date on which the term of the Successor Franchise Agreement commences, in full compliance with this Agreement, other agreements with Franchisor, its Affiliates, and Franchisee's suppliers, and all System Standards, Franchisee acknowledges that Franchisor need not grant Franchisee a Successor Franchise Agreement, whether or not Franchisor had, or chose to exercise, the right to terminate this Agreement during its term under Section 14.

14. TERMINATION OF AGREEMENT

14.1 Automatic Termination

Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee is subject to or commits an Insolvency Event.

14.2 Termination Upon Notice Without Opportunity to Cure

Franchisee shall be deemed to be in default and 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 delivery of written notice to Franchisee by Franchisor, upon the occurrence of any of the following events:

(1) Franchisee (or any of its owners) or its Affiliates or Designated Representative falsifies financial data, or otherwise commit an act of fraud, or make any material misrepresentation or omission in Franchisee's application for, or in acquiring, the license and franchise rights, or in operating the Salon;

(2) Franchisee (or its owners) makes or attempts to make any transfer in violation of Section 12;

(3) Franchisee fails to maintain any required licenses, permits, or certifications to open or operate the Salon; or fail to comply with any federal, state, or local law regulation, or Franchisee operate the Salon in an unsafe manner; and Franchisee does not cure or commence to cure this failure within five (5) days after Franchisee receives notice to cure;

(4) Franchisee (or any of its owners) or Designated Representative is or has been convicted by a trial court of, or plead or have pleaded no contest to, a felony;

(5) Franchisee (or any of its owners) or any owners of its Affiliates, or any of its Key Staff engages in any dishonest or unethical conduct, any unprofessional conduct, or any conduct or action which, in Franchisor's opinion, adversely affects, harms, or has or may have a detrimental effect on or impact on, the Townhouse brand, the Salon, other Townhouse Salons, or the goodwill associated with the Marks;

(6) Franchisee (or any of its owners) or Designated Representative knowingly makes any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;

(7) Franchisee (or any of its owners) misuses Franchisor's Marks, or uses Franchisor's Marks at any other location owned or operated by Franchisee (or any of its owners) without Franchisor's authorization;

(8) Franchisee (or any of its owners) fails to comply with the terms of Section 7 of this Agreement (Exclusive Relationship);

(9) Franchisee interferes with Franchisor's relations with third parties and the ability to operate, and/or grant franchises under, Franchisor's System;

(10) Franchisee fails to maintain the insurance Franchisor requires or Franchisee fails to repay Franchisor for the insurance that Franchisor has paid for on Franchisee's behalf, and Franchisee does not correct the failure within ten (10) days after Franchisor delivers written notice of that failure to Franchisee;

(11) Franchisee fails to pay Franchisor (or its Affiliates) any amounts due and do not correct the failure within five (5) days after Franchisor deliver written notice of that failure to Franchisee, or immediately if payment has not been made within thirty (30) days of its due date;

(12) Franchisee fails to satisfy the Minimum Performance Standards under Section 9.18, and fails to satisfy any remedial plan as provided for in Section 9.18.2;

(13) Franchisee (or any of its owners) commits a Persistent Breach, whether or not Franchisee corrects the breaches after Franchisor's delivery of notice to Franchisee;

(14) Franchisee or any of its owners' assets, property, or interests is blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of its owners otherwise violates any such law, ordinance, or regulation;

(15) Franchisee abandons or fails actively to operate the Salon for three (3) or more consecutive business days, unless Franchisee closes the Salon for a purpose Franchisor approves or because of casualty, Force Majeure Event, or government order; or

(16) Franchisee or its Affiliates are in default of any other agreement with Franchisor or any of its Affiliates, and Franchisee or its Affiliates have failed to cure the default within the time period, if any, provided for such cure.

14.3 Termination With Opportunity to Cure

Except as otherwise provided in Sections 14.1 and 14.2 above, upon any other default by Franchisee of its obligations hereunder, including those identified below, Franchisor may terminate this Agreement by giving written notice of termination, setting forth the nature of such default to Franchisee at least thirty (30) 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, all within the thirty (30) day period. If any such default is not cured within the specified time, 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. The following is a non-exclusive list of illustrative events of default for which Franchisee may have an opportunity to cure the default to avoid termination:

(1) Franchisee does not open the Salon for business within the time period prescribed in Section 3.4;

(2) Franchisee (or its Designated Representative) does not satisfactorily complete the initial training program (after Franchisor provide a second opportunity as provided in Section 5.1);

(3) Franchisee makes any unauthorized use of Franchisor's proprietary software;

(4) Franchisee fails to operate the Salon during the days and hours specified in the Manual without Franchisor's prior approval;

(5) Franchisee fails to operate the Salon from the Site or any substitute premises approved by Franchisor;

(6) Franchisee fails to satisfy the System Standards as they may be revised, as provided for in this Agreement;

(7) Franchisee fails to pay when due any Taxes due on the Salon's operation, unless Franchisee is in good faith contesting its liability for these taxes;

(8) Franchisee fails to provide the financial statements and/or tax returns to Franchisor in a timely manner as specified in Section 10 of this Agreement (Records, Reports, and Financial Statements);

(9) Franchisee fails to promptly pay its suppliers, including any of Franchisor's Affiliates, when such payments are due; or

(10) Franchisee (or any of its owners) fails to comply with any other provision of this Agreement, the Manual, or any System Standards or Minimum Performance Standards.

14.4 Damages

If Franchisor is entitled to terminate this Agreement in accordance with Section 14.2 or 14.3 above, Franchisor shall also have the right to obtain actual damages from Franchisee due to the breach of the Agreement. In the event that actual damages are not easily measured or quantifiable, the parties hereto agree that Franchisor shall be entitled to damages equal to two (2) times the Service Fee payments due from Franchisee during the twelve (12) full months prior to termination, subject to a minimum of two hundred fifty thousand dollars (\$250,000) if Franchisee has not opened a minimum of two Salons prior to termination. Notwithstanding the foregoing, in the event of termination due to (a) termination of this Agreement due to an unapproved transfer of the lease of the Salon to a competitor or for a competing business, or (b) Franchisee's default or termination under the lease, or (c) any other reason which results, or may result, in the ownership, lease or operation of the Site as a business other than as a Townhouse Salon, Franchisee and its Guarantors shall pay to Franchisor as damages, and not as a penalty, an amount equal to (i) the average monthly royalty payments paid or owed by Franchisee for the twelve (12) full months prior to termination, times (ii) the number of months remaining under the lease, including all potential options, extensions and renewal of the lease. The parties hereto agree that calculation of damages for many of the defaults under Sections 12.3.5, 13.2 and 13.3 will be difficult to measure and quantify, and the damages described in this Section 13.8 are a reasonable approximation of such damages, and are not a penalty.

14.5 Non-Compliance Fee

In addition to, and notwithstanding the Attorneys' Fees provision in Section 17.4 hereof, in the event of Franchisee commits an event of default under Section 14 or any other provision of this Agreement, or in the event of any instance of Franchisee non-compliance with this Agreement, the Manual, or other policies and System standards, for which Franchisor notifies Franchisee of such default or non-compliance, Franchisor may require Franchisee to pay an administrative fee to Franchisor in the amount up to one thousand dollars (\$1,000) per occurrence (a "Non-Compliance Fee"), and up to one thousand dollars (\$1,000) for each week such default or non-compliance remains uncured, plus any and all of Franchisor's costs and expenses to enforce compliance by Franchisee or to cure such default, including without limitation attorneys' fees. Such Non-Compliance Fee may be assessed even if Franchisor does not issue a formal notice of default under Section 14. Such Non-Compliance Fee and other charges are intended to reimburse

Franchisor for its time, expense, and other expenditure of resources incurred due to Franchisee's default or non-compliance. Franchisor's decision to require Franchisee to pay such fee shall be without prejudice to Franchisor's right to terminate this Agreement and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement. Franchisor may obtain payment of such administrative fee by way of an EDTA payment or other payment method permitted pursuant to Section 4.7.

14.6 Extended Notice of Termination

If any law applicable to this Section 14, or Section 13 above, requires a longer notice period prior to termination of this Agreement, or prior to a refusal to enter into a successor franchise agreement, than is specified in this Agreement, a different standard of "good cause," or the taking of some other action not required under this Agreement, the prior notice, "good cause" standard, and/or other action required by such law will be substituted for the comparable provisions in this Agreement.

15. **FRANCHISOR'S AND FRANCHISEE'S RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT**

15.1 Payment of Amounts Owed to Franchisor

Upon termination or expiration of this Agreement, Franchisee agrees to pay Franchisor within fifteen (15) days after this Agreement expires or is terminated, or on any later date that Franchisor determine all amounts due to Franchisor, including the Service Fees, Brand Marketing Fund contributions, Townhouse Booking Platform Fee, interest, and all other amounts owed to Franchisor (and its Affiliates) which then are unpaid.

15.2 Marks

When this Agreement expires or is terminated:

(1) Franchisee may not directly or indirectly at any time or in any manner (except as Franchisor may otherwise approve, and except with respect to other Townhouse Salons Franchisee lawfully own and operate, if any) identify itself or any business as a current or former Townhouse Salon or as one of Franchisor's current or former franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Townhouse Salon in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with Franchisor;

(2) Franchisee agrees to take within fifteen (15) days the action required to cancel all fictitious or assumed name or equivalent registrations relating to Franchisee's use of any Mark;

(3) Franchisee agrees to deliver to Franchisor within thirty (30) days all signage, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a Townhouse Salon that Franchisor requests and allow Franchisor, without liability to Franchisee or third parties for trespass or any other claim, to enter the Site and remove these items from the Salon;

(4) cease using the Trade Dress and make such changes in the Salon as Townhouse may direct so as to effectively distinguish the Salon from their former public look and feel including a change in the colors, lay outs and designs used;

(5) cease use of the Townhouse Hardware and the Townhouse Software, and return the Townhouse Hardware to Townhouse in accordance with its instructions, or as required by Franchisor;

(6) if Franchisor does not have or does not exercise an option to purchase the assets of the Salon under Section 15.5 below, Franchisee agrees promptly and at its own expense to make the alterations Franchisor specifies in its Manual (or otherwise) to distinguish the Salon clearly from its former appearance and from other Townhouse Salons in order to prevent public confusion;

(7) Franchisee agrees to immediately notify the telephone company, all telephone directory publishers, and all domain name registries and internet service providers of the termination or expiration of its right to use any telephone, facsimile, URLs and domain names, or other numbers names and telephone directory listings associated with any Mark; to authorize the transfer of these numbers, names, and directory listings to Franchisor or at its direction; and/or to instruct the telephone company, domain name registries, and Internet service providers to forward all calls, e-mails and electronic communications made to its names, numbers, or addresses to names, numbers, or addresses Franchisor specifies. If Franchisee fail to do so, Franchisor may take whatever action and sign whatever documents Franchisor deems appropriate on Franchisee's behalf to effect these events; and

(8) Franchisee agrees to give Franchisor, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to Franchisor of Franchisee's compliance with these obligations.

15.3 Confidential Information

Franchisee agrees that, when this Agreement expires or is terminated, Franchisee will immediately cease using any of Franchisor's Confidential Information (including computer software or similar technology and digital passwords and identifications that Franchisor has licensed to Franchisee or that otherwise are proprietary to Franchisor or the System) in any business or otherwise and return to Franchisor the client list, all copies of the Manual and any other confidential materials that Franchisor has loaned Franchisee.

15.4 Covenant Not to Compete

15.4.1 Upon (1) Franchisor's termination of this Agreement according to its terms and conditions, or (2) Franchisee's termination of this Agreement without cause, or (3) expiration of this Agreement (if Franchisor offers, but Franchisee elects not to execute, a Successor Franchise Agreement, or if Franchisor does not offer Franchisee a successor franchise agreement due to Franchisee's failure to satisfy the conditions for a successor franchise agreement set forth in Section 13): Franchisee and its owners agree that, for two (2) years beginning on the later to occur of (i) the effective date of termination or expiration, or (ii) the date on which all persons restricted by this Section 15.4 begin to comply with this Section 15.4, or (iii) if litigation is necessary to enforce this Agreement, the date of entry of an order by a court of competent jurisdiction enforcing the Agreement, Franchisee and each of its owners, and its and their immediate family members, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not own, maintain, operate, engage in, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, officer, manager, employee, consultant, representative, or agent in any Competing Business, that is or may be located or operating:

(a) at the Site;

- (b) within the Salon Protected Area;
- (c) within five (5) miles of the border of the Salon Protected Area; or
- (d) within the territory, area, or market area of any other Townhouse Salon in operation on the later of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section begin to comply with this Section.

15.4.2. Equity ownership of less than five percent (5%) of a Competing Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 15.4.

15.4.3 These restrictions also apply after transfers, as provided in Section 12.3(12) above. If any person restricted by this Section refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. Franchisee and its owners expressly acknowledge that Franchisee possesses skills and abilities of a general nature and has other opportunities for exploiting these skills and being compensated therefor. Consequently, Franchisor's enforcing the covenants made in this Section will not deprive Franchisee of its personal goodwill or ability to earn a living.

15.5 Franchisor's Right to Purchase Certain Assets of the Salon

Upon termination of this Agreement, or upon expiration of this Agreement if Franchisee does not enter into a Successor Franchise Agreement, Franchisor will have the right and option, but not the obligation, to purchase any and all of Franchisee's assets from the Salon at a purchase price equal to their fair market value. If Franchisor elects to exercise this option, Franchisor will deliver written notice to Franchisee of Franchisor's election within thirty (30) days after the date of termination or expiration of this Agreement. Franchisor will have the right to inspect any equipment and Franchisee's books and records at any time prior to or during this thirty day period. If Franchisor elects to purchase the equipment, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations relating to the equipment purchase, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment and Franchisee's good title to the equipment (including that Franchisee owns the equipment free and clear of any liens and encumbrances). If Franchisor and Franchisee cannot agree on fair market value, fair market value will be determined by three (3) independent accredited appraisers with experience in commercial real estate. Franchisee and Franchisor will each select one (1) appraiser, and one (1) will be selected by mutual agreement of the other two (2) appraisers. The appraisers will conduct an appraisal in accordance with this Section. Franchisee and Franchisor agree to select their respective appraisers within fifteen (15) days after Franchisor notifies Franchisee that Franchisor wish to exercise its purchase option (if Franchisee and Franchisor have not agreed on fair market value before then). Franchisee and Franchisor will share equally the appraisers' fees and expenses. The appraisers must complete their appraisals within thirty (30) days after their appointment. The purchase price will be the average of the three (3) appraised values. If the two appraisers cannot agree on the third appraiser, one will be chosen by the American Arbitration Association.

15.6 Delivery of Customer Data

Upon termination of this Agreement, or upon expiration of this Agreement if Franchisee does not enter into a successor franchise agreement, Franchisee must immediately deliver to Franchisor all Customer Data, stored or copied in any and all formats, in the manner Franchisor prescribes. Franchisee acknowledges and agrees that Franchisor owns the Customer Data, and Franchisee has no right to use, or to transfer or sell to a third party, the Customer Data upon termination or expiration of this Agreement.

15.7 Continuing Obligations

All of Franchisor's and Franchisee's (and its owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

16.1 Independent Contractors

Franchisee and Franchisor understand and agree that this Agreement does not create a fiduciary relationship between Franchisee and Franchisor, that Franchisee and Franchisor are and will be independent contractors, and that nothing in this Agreement is intended to make either Franchisee or Franchisor a general or special agent, joint venturer, partner, employee, or joint employer of the other for any purpose. Franchisee further acknowledges and agrees that Franchisor is not, and nothing in this Agreement or the Manual is intended to make Franchisor, the employer or joint employer of Franchisee's employees. Franchisee shall control and be solely responsible for the day-to-day operation of the Salon and the terms and conditions of Franchisee's personnel and employees, including the soliciting, hiring, firing, disciplining, paying, scheduling, and managing of Franchisee's employees. Franchisee agrees to identify itself conspicuously in all dealings with customers, suppliers, public officials, Salon personnel and employees, and others as the Salon's owner under a franchise agreement that Franchisor has granted, and to place notices of independent ownership on the forms, business cards, stationery, email signatures, advertising, and other materials Franchisor requires from time to time.

16.2 No Liability for Acts of Other Party

Franchisor and Franchisee may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that their respective relationship is other than franchisor and franchisee. Franchisor will not be obligated for any damages to any person or property directly or indirectly arising out of the Salon's operation or the Business Franchisee conducts under this Agreement.

16.3 Taxes

Franchisor will have no liability for any Taxes, whether levied upon Franchisee or the Salon, or due to the Business Franchisee conducts (except for Franchisor's income taxes). Franchisee is responsible for paying these Taxes and must reimburse Franchisor for any Taxes that Franchisor must pay to any taxing authority on account of either its operation or payments that Franchisee make to Franchisor. If Franchisee is required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to Franchisor, then, to the extent that Franchisor is not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by Franchisee to Franchisor must be increased by such amount as is necessary to make the actual amount Franchisor receives (after such withholding tax and after any additional taxes on account of such additional payment) equal to the amount that Franchisor would have received had no tax payment been required; provided that such shortfall is not caused by Franchisor's negligence in filing the claims, or for reasons that can be solely attributable to Franchisor.

16.4 Indemnification

(1) Franchisee agrees to indemnify, defend, and hold harmless Franchisor, its Affiliates, and its and their respective current and former shareholders, directors, members, managers, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, actions, suits, proceedings, demands, investigations, inquiries (formal or informal), settlements, obligations, and damages directly or indirectly arising out of this Agreement, the Salon’s operation, the Business Franchisee conducts under this Agreement, the actions or inactions of Franchisee’s employees, Franchisee’s failure to comply with applicable laws, or Franchisee’s breach of this Agreement, to the fullest extent permissible under applicable law, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by Franchisor’s gross negligence or willful misconduct in a final, unappealable ruling issued by a court with competent jurisdiction, including, but not limited to, claims brought by Franchisee; provided, however, that this indemnification shall not apply to matters where Franchisor has been found liable in a court of competent jurisdiction for causing the costs or claims.

(2) For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including, without limitation, reasonable accountants’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at Franchisee’s expense and agree to settlements or take any other remedial, corrective, or other actions. Franchisor has the right to designate attorneys that Franchisee must retain to defend any claims subject to this indemnification provision.

(3) This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Franchisee under this subparagraph. Franchisee agrees that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Franchisee under this subparagraph.

17. ENFORCEMENT

17.1 Severability, Scope of Covenants and Substitution of Valid Provisions

(1) Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

(2) If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, Franchisee and Franchisor agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant’s validity.

(3) Franchisee understands and acknowledges that Franchisor shall have the right to reduce the scope of any covenant set forth in Sections 8 or 15.4 of this Agreement, or any portion thereof,

without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that Franchisee shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of this Section 17.

(4) If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of Franchisor's refusal to enter into a successor franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard or Minimum Performance Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and Franchisor may modify the invalid or unenforceable provision, System Standard, or Minimum Performance Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. Franchisee agrees to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

17.2 Waiver of Obligations

17.2.1 Franchisor and Franchisee may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights Franchisor or Franchisee have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

17.2.2 Franchisor and Franchisee will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, Franchisor's right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of (i) any custom or practice at variance with this Agreement's terms; or (ii) Franchisor's or Franchisee's failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including, without limitation, any System Standard or Minimum Performance Standard; or (iii) Franchisor's waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Townhouse Salons; or (iv) the existence of franchise agreements for other Townhouse Salons which contain provisions different from those contained in this Agreement; or (v) Franchisor's acceptance of any payments due from Franchisee after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to Franchisor will be a waiver, compromise, settlement, or accord and satisfaction. Franchisor is authorized to remove any legend or endorsement, which then will have no effect.

17.3 Force Majeure and Adverse Change of Law

(1) Neither Party (the "**Affected Party**") shall be liable to the other Party for any delay or failure in the performance of any of its obligations under this Agreement, to the extent that the Affected Party's performance is prevented, hindered or delayed due to a Force Majeure Event provided that it:

- (a) gives written Notice to the other Party as soon as reasonably practicable of the Force Majeure Event and the effect on its ability to perform its obligations under the Agreement;
- (b) uses all reasonable endeavours and employ all reasonable means to remedy or abate the Force Majeure Event as expeditiously as possible;

- (c) notifies the other Party as soon as practicable after the cessation or abatement of the Force Majeure Event;
- (d) resumes performance as soon as possible after termination of the Force Majeure Event or after the Force Majeure Event has abated to an extent which permits resumption of such performance; and
- (e) if the Force Majeure Event affects its ability to provide services or goods under this Agreement, allocates or pro-rates any available services or goods amongst such people having a requirement for them as it, in its reasonable discretion, considers to be fair, equitable and reasonable in the circumstances.

(2) In situations in which Section 17.3(1) above applies, the time for performance of the obligations affected shall be extended for as long as is made necessary by the Force Majeure Event. The time for performance of the corresponding obligations of the other Party shall be extended to the same extent.

(3) During the continuance of a Force Majeure Event the Affected Party will use its reasonable endeavours to continue trading and will keep the other Party fully notified of trading conditions and any factors outside of its reasonable control which it reasonably believes will affect or impair its ability to continue trading.

(4) If the Force Majeure Event continues for a period in excess of one hundred and eighty (180) days or if the Affected Party is subject to one or more Force Majeure Events for an aggregate of more than fifteen (15) weeks in any calendar year, then either Party shall have the right upon giving written Notice, to require that:

- (a) all money due to Townhouse shall be paid immediately;
- (b) Franchisee immediately ceases trading, until further notice from Townhouse; and
- (c) this Agreement is terminated specifying the date (which shall be no less than thirty (30) days after the date on which the Notice is given) on which termination will take effect. Such termination Notice shall be irrevocable, except with the written consent of both of the parties.

(5) Both Parties acknowledge and agree that the franchise rights contemplated under this Agreement are granted on the assumption that there will be no Adverse Change of Law during the Term. If, at any time during the Term, there occurs an Adverse Change of Law, the parties agree to use their best efforts and to cooperate with each other in good faith to amend this Agreement either to bring it into conformity with the requirements of the Adverse Change of Law or to seek an alternative way to comply with the Adverse Change of Law which allows each Party to continue to enjoy the economic benefits of this Agreement. If, in Townhouse's reasonable judgment, this Agreement cannot be modified to comply with the Adverse Change of Law without undermining material elements of the franchise relationship or the mutual enjoyment of the economic benefits thereunder, Townhouse may, at its option without liability to Franchisee, terminate this Agreement on ninety (90) days' prior written Notice to Franchisee.

17.4 Costs and Attorneys' Fees

If Franchisor incurs costs and expenses due to Franchisee's failure to pay when due amounts owed to Franchisor, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, Franchisee agrees, whether or not Franchisor initiates a formal legal proceeding, to reimburse Franchisor for all of the costs, interest and expenses that Franchisor incurs, including, without limitation, reasonable accounting, attorneys' and related fees. Additionally, if Franchisor incurs attorney's fees or other expenses in defending any claim Franchisee brings against Franchisor, including without limitation, a claim related to the offering of a franchise or the franchise relationship, Franchisee will be required to reimburse Franchisor for its reasonable costs and expenses (including attorneys' and expert witness fees).

17.5 Rights of Parties are Cumulative

Franchisor's and Franchisee's rights under this Agreement are cumulative, and Franchisor's or Franchisee's exercise or enforcement of any right or remedy under this Agreement will not preclude Franchisor's or Franchisee's exercise or enforcement of any other right or remedy which Franchisor or Franchisee are entitled by law to enforce.

17.6 Mediation

Before Franchisee and Franchisor may bring an action in court against the other, Franchisee and Franchisor must first meet to mediate the dispute (except as otherwise provided below). Any such mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with its then-current rules for mediation of commercial disputes. The mediation will take place in a city within 30 miles of where Franchisor's principal offices are located at the time the demand for mediation is filed. Notwithstanding the previous sentence, the parties may mutually agree on a different mediator and/or procedures for mediation. Notwithstanding anything to the contrary, this Section 17.6 shall not bar Franchisee or Franchisor from obtaining judicial or injunctive relief for claims that are based solely on demands for money owed, or from obtaining injunctive relief against threatened conduct that will cause it harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; including, without limitation, claims involving the Marks.

The non-binding mediation provided for under this Section 17.6 shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which non-binding mediation is sought. A copy of the request shall be given by the complainant simultaneously to Franchisor if Franchisor is not a complainant or respondent.

Non-binding mediation commenced under this Section shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

17.7 Governing Law

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*), or other federal law, this Agreement, the rights granted under this Agreement, the offer, sale and grant of the Franchise, the Salon, and all claims arising from the relationship between Franchisor and Franchisee will be governed by the laws of the State of Delaware. The provisions of this Agreement which conflict with or are inconsistent with applicable governing law will be superseded and/or modified by such applicable law only to the extent such provisions are inconsistent. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Franchisee waives, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

17.8 Consent to Jurisdiction

Franchisee and its owners agree that all claims between or among Franchisee and Franchisor must be initiated and litigated exclusively and only in a state or federal court of competent jurisdiction within such state or judicial district in which Franchisor has its principal place of business at the time the action is commenced and no other venue, and Franchisee (and each owner) irrevocably submits to the jurisdiction of those courts and waives all objections Franchisee (or the owner) might have to either the jurisdiction of or venue in those courts. Nonetheless, Franchisee and its owners agree that Franchisor may enforce this Agreement in the courts of the state or states in which Franchisee is domiciled or the Salon is located.

17.9 Waiver of Class Actions

ANY LAWSUIT, CLAIM, COUNTERCLAIM, OR OTHER ACTION MUST BE CONDUCTED ONLY ON AN INDIVIDUAL BASIS, AND MUST NOT BE AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION. FRANCHISEE HEREBY AGREE NOT TO SEEK JOINDER OF ANY OF ITS CLAIMS WITH THOSE OF ANY OTHER PARTY.

17.10 Waiver of Punitive Damages and Jury Trial

EXCEPT FOR FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR FOR THIRD PARTY CLAIMS UNDER SECTION 16.4, AND EXCEPT FOR PUNITIVE DAMAGES AVAILABLE TO EITHER PARTY UNDER FEDERAL LAW, FRANCHISOR AND FRANCHISEE (AND ITS OWNERS) WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR MULTIPLE DAMAGES AGAINST THE OTHER AND AGREE THAT, IN THE EVENT OF A DISPUTE BETWEEN FRANCHISOR AND FRANCHISEE, THE PARTY MAKING A CLAIM WILL BE LIMITED TO EQUITABLE RELIEF AND TO RECOVERY OF ANY ACTUAL DAMAGES IT SUSTAINS.

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF FRANCHISOR AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

17.11 Binding Effect

This Agreement is binding upon Franchisor and Franchisee and Franchisor's and Franchisee's respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to Franchisor's right to modify the Manual, System Standards, and Minimum Performance

Standards, this Agreement may not be modified except by a written agreement signed by both Franchisor's and Franchisee's duly-authorized officers.

17.12 Limitations of Claims

ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR, OR FRANCHISEE'S OPERATION OF THE SALON (INCLUDING ANY DEFENSES AND ANY CLAIMS OF SET-OFF OR RECOUPMENT), MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED. FRANCHISOR'S CLAIMS ATTRIBUTABLE TO INSURANCE COVERAGE (SECTION 8.7), AND CLAIMS OF ANY PARTY FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS. AS USED IN THIS SECTION 17.12, "CLAIMS" MEANS ANY ALLEGATION, CHALLENGE, DEMAND, CAUSE OF ACTION, LAWSUIT, ARBITRATION, DISPUTE, CONTROVERSY, INVESTIGATION OR ADMINISTRATIVE PROCEEDING.

17.13 Franchisor's Discretion and Business Judgment

Whenever Franchisor has expressly reserved in this Agreement a right and/or discretion (or Franchisor is deemed to have a right and/or discretion) to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's "**Business Judgment**," defined as Franchisor's determination of what is in its best interests, which includes what Franchisor believes to be the best interests of the Network at the time Franchisor's decision is made or its right or discretion is exercised even though (1) there may have been other alternative decisions or actions that could have been taken; (2) Franchisor's decision or the action taken promotes its financial or other individual interest; or (3) Franchisor's decision or the action it takes may apply differently to different franchisees or Franchisor's company-owned or Affiliate-owned operations. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intends that the exercise of Franchisor's Business Judgment will not be subject to limitation or review.

If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agrees that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

17.14 Construction

17.14.1 The preambles, background, and exhibits are a part of this Agreement, and this Agreement, and the exhibits and attachments hereto, constitutes the entire, full and complete agreement between the parties hereto, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements. There are no other oral or written understandings or agreements between

Franchisor and Franchisee, or oral representations by Franchisor, or written representations by Franchisor (other than those set forth in Franchisor's Franchise Disclosure Document that Franchisor provided to Franchisee), relating to the subject matter of this Agreement, the franchise relationship, or the Salon (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). However, and notwithstanding the foregoing, nothing in this Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Franchisee.

17.14.2 Any policies that Franchisor adopt and implement from time to time to guide Franchisor in Franchisor's decision-making are subject to change, are not a part of this Agreement, and are not binding on Franchisor.

17.14.3 Except as provided in Section 16.4, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

17.14.4 Except where this Agreement expressly obligates Franchisor reasonably to approve or not unreasonably to withhold its approval of any of Franchisee's actions or requests, Franchisor has the absolute right to refuse any request Franchisee make or to withhold Franchisor's approval of any of Franchisee's proposed, initiated, or completed actions that require its approval. 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.

17.14.5 References in this Agreement to "Franchisor" with respect to all of Franchisor's rights and all of Franchisee's obligations to Franchisor under this Agreement, include any of Franchisor's Affiliates with whom Franchisee deals.

17.14.6 If two or more persons are at any time the owners of the Franchise and the Salon, whether as partners or joint venturers, their obligations and liabilities to Franchisor will be joint and several. References to "owner" mean any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in Franchisee (or a transferee of this Agreement and the Salon or an ownership interest in Franchisee), including, without limitation, any person who has a direct or indirect interest in Franchisee (or a transferee), this Agreement, the Franchise, or the Salon and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights, or assets.

17.14.7 "**Person**" means any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

17.14.8 Unless otherwise specified, all references to a number of days shall mean calendar days and not Business Days.

17.14.9 This Agreement may be executed in multiple copies, each of which will be deemed an original.

17.15 Time is of the Essence

Franchisee and Franchisor agree that time is of the essence in Franchisee's performance of its obligations hereunder. Any failure by Franchisee to meet the time limits imposed under this Agreement shall constitute a default under Section 14 of this Agreement, for which Franchisor may terminate this Agreement upon notice to Franchisee.

18. NOTICES AND PAYMENTS

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manual shall be in writing and shall be personally delivered, sent by a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses shown on Exhibit A of this Agreement, unless and until a different address has been designated by written notice to the other party, and a copy of all such notices shall be delivered via email to the email addresses shown on Exhibit A. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery. The Manual, any changes that Franchisor make to the Manual, and/or any other written instructions that Franchisor provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 18.

19. COMPLIANCE WITH ANTI-TERRORISM, ANTI-BRIBERY, ANTI-MONEY LAUNDERING, AND ANTI-HUMAN TRAFFICKING

19.1 Anti-Terrorism Laws

Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in Franchisor’s efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee’s property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee’s or its owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 14.1 above.

19.2 Anti-Bribery and Money Laundering Laws

Franchisee and its owners agree not to (and to procure that no person acting on its behalf shall) directly or indirectly make or facilitate: (a) any expenditure for any unlawful purposes in connection with Franchisee’s Business or in connection with any activities in relation thereto; (b) any offer, payment or promise to pay any money or to give anything of value to any government official, political party or any other person with a view to influencing any action or decision of such person; or (c) commission or participation in any other way in any act of bribery (howsoever called) under any applicable Legal Requirement.

Franchisee and its owners agree to comply with all applicable Legal Requirements and the Manual against corrupt business practices, money laundering, tax evasion and facilitating or supporting persons who conspire to commit crimes or acts of terror against any person or Relevant Authority and to have and maintain in place throughout the Term its own policies and procedures, including adequate procedures under the Bribery Act 2010, to ensure compliance with such applicable Legal Requirements and the Manual, and to enforce them where appropriate;

Franchisee and its owners agree to report to Townhouse immediately: (a) any request or demand for any undue financial or other advantage of any kind received by it in connection with the performance of this Agreement; and (b) if a foreign public official becomes one of Franchisee’s officers or employees

or acquires a direct or indirect interest in Franchisee, and Franchisee hereby warrants that it has no foreign public officials as officers, employees or direct or indirect owners at the Commencement Date.

Within three months of the Commencement Date, and annually thereafter if requested by Townhouse, Franchisee and its owners agree to certify to Townhouse in writing signed by a director, compliance with this Section 19.2 by Franchisee and all persons associated with Franchisee and to provide to Townhouse such supporting evidence of compliance as Townhouse may reasonably request.

Franchisee and its owners agree to ensure that any person associated with it who is performing services in connection with this Agreement does so only on the basis of a written contract which imposes on and secures from such person terms equivalent to those imposed on Franchisee in this Section 19.2 (“**Relevant Terms**”). Franchisee shall be responsible for the observance and performance by such persons of the Relevant Terms and shall be directly liable to Townhouse for any breach by such persons of any of the Relevant Terms.

For the purpose of this Section 19.2, the meaning of adequate procedures and foreign public official and whether a person is associated with another person shall be determined in accordance with section 7(2) of the UK Bribery Act 2010 (and any guidance issued under section 9 of that Act), sections 6(5) and 6(6) of that Act and section 8 of that Act respectively.

19.3 Anti-Human Trafficking Laws

Franchisee and its owners agree to provide Townhouse with any reasonable assistance Townhouse may require to enable Townhouse to perform any activity required by any Relevant Authority for the purpose of complying with all applicable Legal Requirements relating to human trafficking.

20. ACKNOWLEDGMENTS

Franchisee acknowledges:

(1) That Franchisee has independently investigated the Townhouse Salon franchise opportunity and recognizes that, like any other business, the nature of the business a Townhouse Salon may, and probably will, evolve and change over time.

(2) That an investment in a Townhouse Salon involves business risks that could result in the loss of a significant portion or all of Franchisee’s investment.

(3) That Franchisee’s business abilities and efforts are vital to Franchisee’s success.

(4) That attracting customers for Franchisee’s Townhouse Salon will require Franchisee to make consistent marketing efforts in Franchisee’s community through various methods, including media advertising, social media and Internet advertising, personal communication, direct mail advertising, and display materials.

(5) That Franchisee must maintain a high level of customer service, and adhere strictly to the System, the System Standards, and Franchisor’s Minimum Performance Standards, and that Franchisee is committed to maintaining the System Standards and Minimum Performance Standards.

(6) That Franchisee shall have sole and complete responsibility for the choice of the Site of the Salon and the success of the business venture at the Salon, that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Franchisee’s ability

as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors, and that Franchisee retains the right and sole responsibility for the day-to-day management, operation, implementation and maintenance of System Standards in the business contemplated hereunder.

(7) That Franchisee has not received from Franchisor or any person or entity representing or claiming to represent Franchisor, and Franchisee is not relying upon any representations or guarantees, express or implied, as to the potential volume, sales, income, profits, or business success of a Townhouse Salon, and that any financial information that may appear in Franchisor's Franchise Disclosure Document is not a representation or guarantee as to potential volume, sales, income, or profits that Franchisee may achieve at a Townhouse Salon.

(8) That in all of their dealings with Franchisee, Franchisor's officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between Franchisee and them as a result of this Agreement are deemed to be only between Franchisee and Franchisor.

(9) That Franchisee has represented to Franchisor, to induce Franchisor's entry into this Agreement, that all statements Franchisee has made and all materials Franchisee has given Franchisor, including its response to Franchisor's franchise application and related prospective franchisee evaluation materials, are accurate and complete and that Franchisee has made no misrepresentations or material omissions in obtaining the rights under this Agreement.

(10) That Franchisee has read this Agreement and Franchisor's Franchise Disclosure Document and understands and accepts that this Agreement's terms and covenants are reasonably necessary for Franchisor to maintain Franchisor's high standards of quality and service, as well as the uniformity of those standards at each Townhouse Salon, and to protect and preserve the goodwill of the Marks.

(11) That Franchisor has not made any representation, warranty, or other claim regarding this Townhouse Salon franchise opportunity, other than those made in this Agreement and Franchisor's Franchise Disclosure Document, and that Franchisee has independently evaluated this opportunity, including by using Franchisee's business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.

(12) That Franchisee has been afforded an opportunity to ask any questions Franchisee has and to review any materials of interest to Franchisee concerning the Townhouse Salon franchise opportunity, and that Franchisor has not refused to answer any questions, inquiries, or requests.

(13) That Franchisee has been afforded an opportunity, and has been encouraged by Franchisor, to have this Agreement and all other agreements and materials Franchisor has given or made available to Franchisee reviewed by an attorney and have either done so or chosen not to do so.

(14) That Franchisee represents and warrants to Franchisor that the execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract or covenant to which Franchisee is bound, and further represents and warrants that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict Franchisee from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

(15) That Franchisor may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly

reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Franchisee a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the franchise network, at the time Franchisor's decision is made or its right or discretion is exercised, without regard to whether: (a) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (b) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (c) Franchisor's decision or the action it takes applies differently to Franchisee and one or more other franchisees or Franchisor's company-owned or affiliate-owned operations; or (d) Franchisor's decision or the exercise of its right or discretion is adverse to Franchisee's interests. In the absence of an applicable statute, Franchisor will have no liability to Franchisee for any such decision or action. Franchisor and Franchisee intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Franchisee agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Franchisee's rights and obligations hereunder.

(16) That Franchisor may modify the offer of Franchisor's franchise opportunity to other franchisees in any manner and at any time, and these offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**FRANCHISOR: TOWNHOUSE
FRANCHISING, LLC**

By: _____

Title: _____

Dated: _____

FRANCHISEE: _____

**(IF FRANCHISEE IS TAKING THE
FRANCHISE AS A CORPORATION,
LIMITED LIABILITY COMPANY, OR
PARTNERSHIP):**

[Entity]

By: _____

Title: _____

Dated: _____

**(IF FRANCHISEE IS TAKING THE
FRANCHISE INDIVIDUALLY AND NOT
AS A LEGAL ENTITY):**

[Signature]

[Print Name]

[Signature]

[Print Name]

EXHIBIT A
TO THE FRANCHISE AGREEMENT
SALON PROTECTED AREA AND FEES

1. The Site of the Salon will be located at:

2. The Salon Protected Area shall be:

(as specified on the Salon Protected Area description attached to this Exhibit A).

3. The Restricted Areas related to this Agreement and Franchisee's Business shall be:

(a) _____;

(b) _____;

(c) _____; or

(d) _____.

4. The Initial Term of this Agreement will expire on _____ (Ten years after the Commencement Date)

5. The Initial Franchise Fee shall be Forty Thousand Dollars (\$40,000).

6. The Marketing Launch Fee shall be Ten Thousand Dollars (\$10,000)

7. The Service Fee shall be seven percent (7%) of the Salon's Net Revenue.

8. The Marketing Fund Contribution shall be two percent (2%) of the Salon's Net Revenue.

9. The Booking Platform Fee shall initially be \$100 per month, subject to annual increases in the CPI.

10. The Designated Representative shall be: _____.

11. Notices. The designated address for notices under Section 18 of the Agreement should be the Contact Addresses as follows:

Notices to Franchisor:

Townhouse Franchising, LLC

611 South Dupont Highway, Suite 102

Dover, Delaware 19901

Telephone: (302) 546-5188

Attn: Jonathan Millet

Email: franchising@townhouse.co.uk

finance@townhouse.co.uk

jonathan.millet@townhouse.co.uk

Notices to Franchisee:

Telephone: _____

Email: _____

Attn: _____

[Signature page for Exhibit A to follow]

FRANCHISOR:
Townhouse Franchising, LLC

By: _____

Title: _____

Dated: _____

FRANCHISEE

**(IF FRANCHISEE IS TAKING THE
FRANCHISE AS A CORPORATION, LIMITED
LIABILITY COMPANY, OR PARTNERSHIP):**

[Name]

By: _____

Title: _____

Dated: _____

**(IF FRANCHISEE IS TAKING THE
FRANCHISE INDIVIDUALLY AND NOT AS A
LEGAL ENTITY):**

[Signature]

[Print Name]

[Signature]

[Print Name]

**EXHIBIT B
TO THE FRANCHISE AGREEMENT**

LISTING OF OWNERSHIP INTERESTS

Effective Date: This Exhibit B is current and complete
as of _____, 20__

Franchisee and Its Owners

1. Form of Owner.

(a) Individual Proprietorship. Franchisee's owner(s) (is) (are) as follows:

(b) Corporation, Limited Liability Company, or Partnership. Franchisee were incorporated or formed on _____, under the laws of the State of _____. Franchisee has not conducted business under any name other than Franchisee's corporate, limited liability company, or partnership name and _____. The following is a list of Franchisee's directors, if applicable, and officers as of the effective date shown above:

| <u>Name of Each Director/Officer</u> | <u>Position(s) Held</u> |
|--------------------------------------|-------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

2. Owners. The following list includes the full name of each person who is one of Franchisee's owners (as defined in the Franchise Agreement), or an owner of one of Franchisee's owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

| <u>Owner's Name</u> | <u>Percentage/Description of Interest</u> |
|---------------------|---|
| (a) _____ | _____ |
| (b) _____ | _____ |
| (c) _____ | _____ |
| (d) _____ | _____ |

3. Identification of Designated Representative. Franchisee's Designated Representative as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). Franchisee may not change the Designated Representative without Franchisor's prior written approval.

Townhouse Franchising, LLC

By: _____

Title: _____

Dated: _____

FRANCHISEE

(IF FRANCHISEE IS TAKING THE FRANCHISE AS A CORPORATION, LIMITED LIABILITY COMPANY, OR PARTNERSHIP):

[Name]

By: _____

Title: _____

Dated: _____

(IF FRANCHISEE IS TAKING THE FRANCHISE INDIVIDUALLY AND NOT AS A LEGAL ENTITY):

[Signature]

[Print Name]

[Signature]

[Print Name]

**EXHIBIT C
TO THE FRANCHISE AGREEMENT**

EDTA FORM

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS (DIRECT DEBITS)

(Name of Person or Legal Entity)

(FEIN Number)

The undersigned depositor (“**Depositor**”) (“**Franchisee**”) hereby authorizes **Townhouse Franchising, LLC** (“**Franchisor**”) to initiate debit entries and/or credit correction entries to the undersigned’s checking and/or savings account(s) indicated below and the depository designated below (“**Depository**”) (“**Bank**”) to debit or credit such account(s) pursuant to Franchisor’s instructions.

| | | |
|-------------------------|----------------|----------|
| Depository | Branch | |
| City | State | Zip Code |
| Bank Transit/ABA Number | Account Number | |

This authority is to remain in full and force and effect until sixty (60) days after Franchisor has received written notification from Franchisee of its termination.

| | |
|--------------|--------------|
| Depositor: | Depository: |
| By: _____ | By: _____ |
| Name: _____ | Name: _____ |
| Title: _____ | Title: _____ |
| Date: _____ | Date: _____ |

**EXHIBIT D
TO THE FRANCHISE AGREEMENT**

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) on this date by **Townhouse Franchising, LLC** (“Franchisor”), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“Franchisee”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition (Section 15.4), confidentiality (Section 6), and transfer requirements (Section 12); provided, however, that this guaranty to pay monetary obligations arising under the Agreement shall be limited to software fees, marketing fees, other periodic fees and payments owed to Franchisor, and any claims under the indemnification provisions of the Agreement (including, without limitation, Section 16.4), and any judgments or claims that are reduced to monetary claims.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Franchisee and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor’s pursuit of any remedies against Franchisee or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Franchisee or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Franchisee or its owners, and for so long as Franchisor has any cause of action against Franchisee or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Franchisee, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; provided, however, that in the event of a complete and total transfer of all assets and ownership interests in Franchisee and in the Salon, such that a Guarantor has no ownership interest in Franchisee on the Salon (“Transfer”), this Guaranty shall terminate as of the date of the Transfer with respect to any obligations that arise as of or after the Transfer.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Franchisee arising as a result of the undersigned's execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If Franchisor is required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, Franchisor shall be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incur.

Each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in a state or federal court of competent jurisdiction in the state or judicial district in which Franchisor has its principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and judgment orders in the courts of the state or states in which he or she is domiciled.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

| GUARANTOR(S) | PERCENTAGE OF OWNERSHIP IN FRANCHISEE |
|---------------------|--|
| _____ | _____ % |
| Signature | |
| _____ | |
| Printed Name | |
| _____ | _____ % |
| Signature | |
| _____ | |
| Printed Name | |
| _____ | _____ % |
| Signature | |
| _____ | |
| Printed Name | |

**EXHIBIT E
TO THE FRANCHISE AGREEMENT**

SUPPORT PROVIDED BY FRANCHISOR

The nature, frequency and cost of certain levels support provided under this Agreement are set out below. These are supplemented by the support detailed in the Manual.

| Nature of Support | Obligation | Cost Of Obligation |
|--------------------------|---|--|
| Site Specific Visits | Townhouse shall visit to approve potential sites in advance and to advise whether they are suitable for conversion to a Salon. In addition, Townhouse shall be entitled to inspect each Salon prior to the grant of an Operating Certificate as detailed in Clause 3.2(8). | Franchisee shall pay the fee set out in the Rate Card and all related Travel and Subsistence Expenses |
| On-going Visits | Townhouse shall be entitled to visit the Salons and inspect the quality of Franchisee's Business and the Products and to speak to customers and Franchisee's employees at the Salons or elsewhere about Franchisee's Business and the Products provided by Franchisee so as to ensure that the standards required by Townhouse and associated with the Marks are being achieved and maintained. | Franchisee shall pay the fee set out in the Rate Card and all related Travel and Subsistence Expenses. |

**EXHIBIT F
TO THE FRANCHISE AGREEMENT**

LEASE RIDER

THIS LEASE RIDER is made and entered into _____, 20__ BY AND AMONG _____ (the “**Landlord**”), _____ (the “**Tenant**”), and Townhouse Franchising, LLC, a Delaware limited liability company, whose principal place of business is _____ (“**Franchisor**”).

RECITALS:

A. This Lease Rider supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated _____ (the “**Lease**”) for the premises situated at the building (the “**Building**”) know by street address as _____ (the “**Premises**”) to be used by the Tenant as a Townhouse Salon.

B. This Lease Rider is entered into in connection with Franchisor’s approval of the location of the Premises as a Townhouse Salon and the grant of a franchise to the Tenant pursuant to a Franchise Agreement dated _____, 20__ (the “**Franchise Agreement**”).

C. This Lease Rider is intended to make Franchisor a, and have rights as a, third party beneficiary to the Lease and to provide Franchisor the opportunity to preserve the Premises as a Townhouse Salon under the circumstances set out below.

D. The Landlord agrees that Franchisor and/or its affiliates shall have the right but not the obligation to (1) cure defaults of Tenant and (2) to assume the Lease of the Premises on the terms, covenants and conditions contained in this Lease Rider.

THE PARTIES HEREBY AGREE:

1. UPON DEFAULT OF TENANT UNDER THE LEASE

1.1 The Landlord agrees to send to Franchisor copies of any Notices of Default that are given to the Tenant concurrently with the giving of such Notices to the Tenant. If the Tenant fails to cure any defaults within the period specified within the Notices, the Landlord shall promptly give to Franchisor further written Notice (“**second notice**”) specifying the defaults that the Tenant has failed to cure. Franchisor shall have forty-five (45) days following receipt of the second written Notice to a) cure the default or b) to exercise their right to enter a new Lease on the same terms as apply to the Lease or Deed of Lease by written notice to the Landlord and the Tenant. In the event that Franchisor exercises the right to enter into a new Lease, then the circumstances described in clause 1.2 below shall apply.

1.2 The provisions of this clause 1.2 shall take effect if and when Franchisor exercises its rights pursuant to clause 1.1 (a) above. Franchisor shall begin paying rent upon the Landlord delivering possession of the Premises to Franchisor as the case may be.

2. UPON TERMINATION OF THE FRANCHISE AGREEMENT

If the Franchise Agreement is terminated for any reason during the term of the Lease or any extension or renewal of the Lease, and if Franchisor shall desire to assume the Lease, Franchisor shall promptly give the Landlord written notice to this effect.

3. UPON NON-RENEWAL OF THE LEASE TERM

If the Lease contains term renewal or extension right(s) and if the Tenant allows the term to expire without exercising such right(s), the Landlord shall give Franchisor written notice to this effect and Franchisor shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension right(s) on the same terms and conditions as are contained in the Lease. If Franchisor elects to exercise such right(s) it shall notify the Landlord in writing whereupon the Landlord and Franchisor shall promptly execute and exchange an agreement whereby Franchisor assumes the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period.

4. ADDITIONAL PROVISIONS

4.1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease. In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease the Tenant shall within ten (10) days after written demand by Franchisor, assign all of its right, title and interest in and to the Lease to Franchisor. If the Tenant fails to do so within the said ten (10) days, the Tenant hereby designates Franchisor as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder. The Landlord hereby consents to such assignment subject to Franchisor executing an assignment of the Lease. The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of Franchisor. Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to Franchisor. Franchisor acknowledges that where Franchisor enters into an assignment or sub-letting as referred to in clause 4.4 below it will attempt to procure, if the assignee is a company (other than a listed public company) a Deed of Guarantee in customary form approved or prepared by the landlord from the principal shareholders of the assignee company and (if required by the landlord) by the Directors of the assignee company.

4.2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to Franchisor. Franchisor shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease including interest thereon and Franchisor's reasonable collection costs.

4.3 After Franchisor assumes the Tenant's interest under the Lease, Franchisor may, at any time, sublet the Premises to a Townhouse franchisee without having to obtain the prior written consent of the Landlord.

4.4 After Franchisor assumes the Tenant's interest under the Lease, Franchisor may, at any time, assign or sublet its interest under the Lease to a third party, which may or may not be an operator of a Townhouse Salon, but only with the prior written consent of the Landlord and the usual provisions of the Lease concerning consent shall apply. Upon receipt by the Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and to observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, Franchisor shall thereupon be released from all liability

as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord.

4.5 If the Lease or Franchise Agreement is terminated and Franchisor fails to exercise its option as described above, the Tenant agrees, upon written demand by Franchisor, to de-identify the Premises as a Townhouse Salon and to promptly remove signs, decor and other items which Franchisor reasonably requests be removed as being distinctive and indicative of a Townhouse Salon. Franchisor may enter upon the Premises without being guilty of trespass or tort to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from Franchisor, following termination of the Franchise Agreement or Lease. The Tenant shall pay Franchisor for its reasonable costs and expenses in effecting the de-identification. The Landlord shall not be obligated to Franchisor for such costs unless the Landlord and the Tenant share one (1) or more common owners, partners, beneficiaries or shareholders (as the case may be). The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to Franchisor pursuant to this clause.

4.6 Franchisor shall have the right to assign or delegate their rights, interests and obligations under this Lease Rider and the Lease to any person or entity, including the right to sublease, manage, or operate the Townhouse Salon, without consent or approval of the Landlord, provided that such assignee or delegatee is qualified to operate a Townhouse® brand Salon, as determined by Franchisor.

4.7 BY EXECUTING THIS LEASE RIDER TO THE LEASE, FRANCHISOR DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL FRANCHISOR EXPRESSLY ASSUMES SUCH LIABILITY AND/OR OBLIGATION AS DESCRIBED ABOVE BY EXECUTING A NEW LEASE.

4.8 All notices pursuant to this Lease Rider shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses below or to such other address as any party to this Lease Rider may, either by written notice, instruct that notices be given. Further, all notices required to be delivered to Landlord or Tenant under the Lease shall also be delivered to Franchisor, in such form, manner and timing as required for such notice under the Lease.

EXECUTED by the parties as follows:

SIGNED by _____)
as Landlord by its _____)
in the presence of: _____)

(Name of Signatory)
Title: _____

SIGNED by _____)
as Tenant by its _____)
in the presence of: _____)

(Name of Signatory)
Title: _____

SIGNED by Townhouse Franchising, LLC)
by its duly authorized officer in the)

presence of:

)

(Name of Signatory) Jonathan Millet
Title: Chief Executive Officer

Addresses for Notices:

Landlord:

Franchisor:

Attn: Jonathan Millet, Chief Executive Officer

Tenant:

EXHIBIT C

AREA DEVELOPMENT AGREEMENT



TOWNHOUSE FRANCHISING, LLC
AREA DEVELOPMENT AGREEMENT

Developer Name

Development Area

Date of Agreement

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**TOWNHOUSE
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on this _____ day of _____, 20__ (“**Effective Date**”) by and between Townhouse Franchising LLC, a Delaware limited liability company, whose principal place of business is _____ (“**Franchisor**” or “**Townhouse**”); and _____, a [corporation organized in] [limited liability company organized in] _____ and having offices at _____ (“**Developer**”). “Franchisor” and “Developer” are each a “Party,” and collectively are “Parties.”

BACKGROUND:

A. Franchisor and its Affiliates, as a result of the expenditure of time, skill, and effort have developed (and continue to develop and modify) a system relating to the operation of high quality, luxury experience nail salons, using the Know-How as set out in the Manual or otherwise communicated to franchisees (the “**System**”).

B. These nail salon businesses operate under the “Townhouse®” name and Marks (defined below) and the System (“**Townhouse Salon**”). The Townhouse Salons and System have distinctive characteristics which currently include, without limitation, offering clients a chic yet welcoming nail care experience, blending cutting edge technology with seamless service, and a commitment to hygiene, professionalism, and flawless results, provided with proprietary business formats, methods, procedures, standards, and specifications, all of which Franchisor may change, improve, and further develop from time to time.

C. Franchisor and its Affiliates use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark “Townhouse®” in operating Townhouse Salons, which have gained and will continue to gain public acceptance and goodwill, and Franchisor may create, use, and license other trademarks, service marks, and commercial symbols for Townhouse Salons (collectively, the “**Marks**”). Marks includes the Marks described in Section 1.1 below.

D. Franchisor grants to persons who meet its qualifications, and are willing to undertake the investment and effort, the rights to own and operate one or more Townhouse Salons using Franchisor’s System and Marks, and each Townhouse Salon will be operated pursuant to a Franchise Agreement with Franchisor.

E. Developer has applied for the right to develop, own, and operate multiple Townhouse Salons, to be operated pursuant to Franchise Agreements, all of which will be location within the area identified on Exhibit A (the “**Development Area**”). .

NOW, THEREFORE, the Parties, in consideration of the undertakings and commitments of each Party to the other Party as set forth herein, hereby agree as follows:

1. DEFINITIONS

1.1 The following terms used in this Agreement shall have the meanings as follows:

“**Additional Support**” means additional support and troubleshooting with substantial or continual or periodic operational, business or customer service issues;

“**Adverse Change of Law**” means the adoption, promulgation, modification or reinterpretation of any Legal Requirement by any Relevant Authority after the Commencement Date which action materially and adversely affects either Party’s ability to enjoy the economic benefits of this Agreement or to enforce its rights hereunder. An Adverse Change of Law does not constitute a Force Majeure Event;

“**Affiliate**” or **Affiliates**” means in relation to a Party, any person directly or indirectly Controlling, Controlled by or under common Control with that Party;

“**Audit**” and “**Audit Failure**” has the meaning given in Section 9.2.1;

“**Business**” means the business operated at the Salon using the System, the Marks and the Trade Dress in a manner that has been developed and specified by Townhouse;

“**Business Day**” means a day, other than a Saturday, Sunday, or a federal United States holiday;

“**Business Judgment**” has the meaning given in Section 17.8;

“**Competing Business**” means any business that offers (or grants franchises or licenses) to others to operate a business that offers or provides) the same as or similar products and services to those provided by a Townhouse Salon, including a business which derives or is reasonably expected to derive in any rolling twelve-month period thirty percent (30%) or more of its aggregate gross revenue from sales of nail related products or services;

“**Confidential Information**” is defined in the Franchise Agreement;

“**Contact Address**” means the mailing and email addresses for the Parties as set out in the signature block of this Agreement;

“**Control**” means in relation to either Party, (i) direct or indirect beneficial ownership of more than 50% of the issued share capital, stock or other participating interest carrying the right to vote of that Party or (ii) the right to appoint the majority of the directors of that Party or (iii) the right to direct the conduct of the affairs of that Party and “**controlled**” and “**controlling**” shall have a corresponding meaning;

“**CPI**” means the Consumer Price Index published by the U.S. Bureau of Labor Statistics, or such other index as replaces it;

“**Designated Representative**” means the person identified on Exhibit C, or such replacement as approved by Townhouse;

“**Effective Date**” means the date first set forth above.

“**Force Majeure Event**” means any material event or circumstance not in existence on the Commencement Date beyond the reasonable control of either Party including: civil commotion, terrorist attack, blockade, embargo or armed conflict; fire, explosion, storm, lightning, flood, drought or other extreme weather conditions, earthquake, subsidence or other natural physical disaster or nuclear, chemical or biological contamination; epidemic or pandemic; or governmental action rendering a Party unable to perform its obligations under this Agreement;

“Franchisee’s Business” means Franchisee’s business of opening and operating the Townhouse Salon under a Franchise Agreement pursuant to this Agreement;

“Franchisee’s Owners” are identified in Exhibit C;

“Guarantor” means the person, people, or entity approved by Townhouse and identified on Exhibit C, who will execute the “Guaranty and Assumption of Obligation” at Exhibit B;

“Incapacitated” means that a person is unable due to physical or mental incapacity or ill health to comply with its obligations in connection with this Agreement or the Guarantee for a period greater than six (6) months or for periods which are collectively of more than ninety (90) days in a consecutive twelve (12) month period;

“Initial Franchise Fee” means forty thousand dollars (\$40,000).

“Insolvency Event” in relation to any Party means:

- (a) the filing of a bankruptcy petition under the United States Bankruptcy Code; or
- (b) any step being taken towards winding up, dissolution or striking off, and/or the appointment of a liquidator (otherwise than in furtherance of any scheme for solvent amalgamation or solvent reconstruction) or administrator, receiver, receiver and manager, administrative receiver or, in each case, a similar officer; or
- (c) an administrator, liquidator, receiver and manager or administrative receiver being appointed; or
- (d) any step being taken towards the making of a bankruptcy order in the case of an individual; or
- (e) if it becomes unable to pay its debts as they fall due, or its liabilities outweigh its assets, taking into account actual, contingent and prospective liabilities; or
- (f) any encumbrance over or affecting any material part of its assets or undertaking being enforced; or
- (g) any composition in satisfaction of, or moratorium in respect of, its debts or any scheme of arrangement or compromise between it and a creditor or its creditors or any class of its creditors being put in place; or
- (h) any event or circumstance analogous to any of those listed above in any jurisdiction;

“Key Staff” means the designated manager for the Salon, or as otherwise updated by Townhouse from time to time;

“Know-How” means Townhouse’s secret substantial and identified knowledge of and expertise in operating the Business developed over a period of time;

“Knowledge” means that the party to which the statement is attributed is actually aware of the particular fact or other matter to which the statement refers. In determining whether a party has the Knowledge referred to it shall be deemed to know anything that is known to any of its directors, officers, or its general manager or financial controller;

“**KPIs**” means the key performance indicators, set out in the Manual, used by Townhouse to measure Franchisee’s compliance with the System;

“**Lease**” means the lease or underlease (as appropriate) of a Salon;

“**Legal Requirement**” means any authorization or any law, statute, ordinance, rule, regulation, direction, code of conduct, requirement, judgement or other measure of any Relevant Authority from time to time in force (whether or not legally binding) that may be applicable to this Agreement or to Franchisee’s Business and Franchisee’s legal capability to carry on Franchisee’s Business in the Salon Protected Area and the operation thereof, including those relating to Franchisee’s legal constitution, memorandum of incorporation, articles of association, Intellectual Property Rights, employees, zoning, building, health, safety and environmental matters, e-commerce and distance selling regulations, advertising regulations and industry codes of conduct and consumer protection regulations;

“**Loss**” means all direct or indirect losses (including any loss of profit, consequential loss, loss of business, and like loss), damages (including any sum paid to compromise or settle a third party claim), liabilities, accounts of profits, actions, claims, demands, proceedings, judgments, settlements, penalties, sanctions, fines, costs and expenses calculated on a full indemnity basis (including legal and other professional costs and expenses, internal management costs and the costs of enforcements and the cost of investigating and defending any claims) and interest;

“**Manual**” means the operating manual, appendices and associated documents as updated by Townhouse from time to time, which shall contain full details of the System and the operation of the Business, including both required and recommended practices, policies, and guidelines, policies and procedures relating to various aspects of the Business, including the use of the Marks, advertising and promotional activities, Townhouse’s legal compliance policies and guidelines (including those relating to anti-bribery and anti-money laundering, whistleblowing, public relations and tax evasion, codes of ethical and environmental or other conduct and procurement policies);

“**Mark(s)**” means the trademarks described below, together with any additional or substitute trademarks which Townhouse shall from time to time deem suitable or necessary for the operation of Townhouse Salons;

| Mark | U.S. Registration No. | Registration Date | Next Renewal Date |
|-------------|------------------------------|--------------------------|--------------------------|
| TOWNHOUSE | 7683049 | February 11, 2025 | February 11, 2035 |

“**Material Breach**” means Franchisee breaches, neglects or fails to satisfy, perform or observe any provision of this Agreement or commits a material breach of the Manual or any ancillary agreements in Townhouse’s sole opinion, acting reasonably;

“**Network**” means Townhouse, its company-operated and Affiliates-operated Townhouse Salons and other businesses, its Affiliates and other third parties directly or indirectly authorized by it to use the System, including Franchisee, and other franchisees;

“**Notice**” has the meaning given in Section 10;

“Pre-Contractual Statement” means any and all written or oral pre-contractual statements or misstatements, agreements, financial statements, investment or profit projections, representations, misrepresentations, warranties, assurances, undertakings, understandings, inducements or promises made innocently or negligently by any person (whether or not a Party to this Agreement);

“Quarter” means each calendar quarter in a Year, commencing January 1, April 1, July 1, October 1;

“Rate Card” means the standard per diem or hourly rates for Townhouse’s employees or sub-contractors who provide training and other services, as set out in the Manual;

“Relevant Authority” means any international, national, state, or local governmental or regulatory body (including a security commission or stock exchange), authority, agency, court or tribunal, in any part of the world;

“Reserved Channels” means:

- (a) physical locations within the following retail channels: arenas, casinos, convention centers, airports, railway stations, ports and other travel hubs, hotels, movie theaters, health clubs, hospitals, military bases, educational campuses, grocery stores, spas, and similar environments, as well as other locations within another business or dependent upon one main business or organization as its primary trade generator, normally with limited access to the general public and a limited trade area, usually in relation to its primary trade generator;
- (b) the sale of products to any customer other than in a Salon;
- (c) any other channel, offering or retail method of any kind other than the operation of a Salon.

“Restricted Areas” means the areas set forth in Exhibit A in which no franchisees in the Network (including Franchisee) shall be permitted to open a Salon;

“Salon(s)” means Townhouse branded nail salon, being a bricks and mortar nail salon at a dedicated standalone premises whose primary focus is the provision of nail treatments offering the Services under the System, located at the Site approved by Townhouse and operated by Franchisee under this Agreement;

“Services” means the services specified in the Manual which Franchisee shall make available to customers in each Salon in addition to the sale of the Products;

“Site” means a site identified by Franchisee and submitted to Townhouse for approval to become the Salon;

“System” has the meaning set forth in the Background;

“System Standards” means Franchisor’s requirements for appearance, operation, and maintenance of the Salon in conformity with the System, Know-How, and Manual as further described in the Franchise Agreement.

“**Tax**” means all forms of taxation and statutory, governmental, state, federal, provincial, local or municipal charges, duties, imposts, contributions, levies, deductions, withholdings or liabilities wherever chargeable and whether of the US or any other jurisdiction;

“**Townhouse Group Existing Salon Perimeter**” means the following protected radius of each Townhouse salon operated by Franchisor or one of its Affiliates, in which no other franchisee in the Network (including Franchisee) shall be entitled to open a salon:

- (a) 0.25 miles for salons located within the city perimeter of an incorporated city or similar high density locations;
- (b) 0.5 miles for all other salons;

The borders of the Development Area shall serve as fixed boundaries over which a salon’s protected area may not extend.

“**Trade Dress**” means Townhouse’s distinctive color schemes, layout and designs as amended by it at its sole discretion from time to time;

“**Travel and Subsistence Expenses**” means all of Townhouse’s expenses or those of its nominees which are incurred in relation to visits to the Salons in accordance with this Agreement, and which shall include travel (inbound and outbound), accommodation (which will be international four-star standard or above) and subsistence costs as set out in an itemised invoice from Townhouse or its nominees;

“**Undertaking of Confidentiality and Non-Competition**” means Townhouse’s standard form of undertaking as issued by Townhouse from time to time;

“**VAT**” means value added or sales tax (or any Tax of a similar nature imposed in the jurisdiction of the Salon Protected Area) at the rate in force when the relevant supply was made; and

“**Year**” means a twelve (12) month period beginning January 1.

Other capitalized terms, not otherwise defined in this Agreement shall have the meaning ascribed to them in the Franchise Agreement.

1.2 Interpretation:

In this Agreement, unless the context clearly indicates another intention:

- (a) a reference to any gender includes other genders and the singular includes the plural and vice versa;
- (b) any reference to a person includes any individual, legal person, trust, partnership, association or unincorporated body, or Relevant Authority (whether or not having a legal personality);
- (c) any reference to a Section, Exhibit, or Schedule is a reference to a Section of, or an Exhibit to or Schedule this Agreement. The Schedules, Exhibits, and Background to this Agreement form part of this Agreement and any reference to this “Agreement” includes the Schedules, Exhibits, and Background;

- (d) obligations undertaken by more than a single person are joint and several obligations;
- (e) any reference to any legislation is a reference to that legislation and any subordinate legislation made under it as amended, extended or re-enacted from time to time after the Effective Date;
- (f) a reference to this Agreement or any other agreement or document is a reference to this Agreement or such other agreement or document as varied, supplemented, restated, renewed, novated or replaced from time to time;
- (g) “writing” or “in writing” means the representation of words, in English and capable of being read with the naked eye, on paper or in similar hard copy form or in an electronic form which enables the recipient to retain a copy;
- (h) In calculating a number of days, if the last day falls on a Saturday or a Sunday or on a United States federal holiday, the last day will be the next succeeding day which is not a Saturday, Sunday, or a United States federal holiday;
- (i) all references to “paragraphs” in the Schedules or Exhibits are references to paragraphs in that specific Schedule or Exhibit unless otherwise stated;
- (j) the words “include”, “includes”, “including” and “such as” are to be construed as if they were immediately followed by the words “without limitation”; and
- (k) “indemnifying” a person in respect of a matter includes paying that person on demand an amount equal to all Loss made or incurred by that person in connection with that matter (and “indemnity” and “indemnify” shall be construed accordingly).

1.3 Headings: In this Agreement, the headings, sub-headings and marginal notes are for convenience only and will not affect the construction of this Agreement.

2. GRANT

2.1 Grant of Rights. Franchisor hereby grants to Developer the right, and Developer hereby accepts the obligation, pursuant to the terms and conditions of this Agreement, to develop a specified number of Townhouse® Salons (“**Salon**” or “**Salons**”) in the development area, as set forth in Paragraph 1 of Exhibit A attached hereto (the “Development Area”). In this regard, the parties further agree that:

2.1.1 The Salons shall be developed by Developer pursuant to the development schedule set forth in Paragraph 3 of Exhibit A attached hereto (the “**Development Schedule**”). If, at any time during the term of this Agreement, Developer fails to satisfy the Development Schedule, Franchisor shall have the right, but not the obligation, to exercise Franchisor’s termination rights, and other rights, pursuant to Section 6 hereof.

2.1.2 Each Salon developed under this Agreement shall be established and operated pursuant to a separate Townhouse Franchise Agreement (a “**Franchise Agreement**”) that shall be executed as provided in Section 4.1 below.

2.1.3 Each Salon developed under this Agreement shall be located within the area that is specified in Paragraph 2 of Exhibit A, attached hereto (the “**Development Area**”).

2.2 Restrictions on Development by Franchisor; Development Area Protection for Developer. If Developer is in compliance with its obligations under this Agreement and all of the Franchise Agreements between Developer (including any permitted Affiliate of Developer) and Franchisor, then Franchisor shall not establish, nor license anyone other than Developer to establish, a Salon in the Development Area until the earlier of (a) the termination or expiration of this Agreement, (b) the opening of the last required Salon under the Development Schedule, or (c) the last date specified in the Development Schedule, except as otherwise provided under Sections 2.3 below.

2.3 Reservation of Rights. Except as otherwise specifically provided under Section 2.2 above, Franchisor retains all other rights, and therefore Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Developer any rights therein, to:

2.3.1 establish, and license others to establish, Townhouse Salons at any location outside the Development Area, notwithstanding such Salons' proximity to any Salon operated by Developer within the Development Area, or their actual or threatened impact on sales at such Salon(s);

2.3.2 establish, and license others to establish, Townhouse Salons at or in any Reserved Channels, or provide products or services under the Townhouse Marks and brand in any of the Reserved Channels, within or outside the Development Area, notwithstanding such Townhouse Salons' proximity, or the proximity of the products and services delivered, to the Development Area, any Townhouse Salon developed or operated pursuant to this Agreement, or their actual or threatened impact on sales at any such Townhouse Salon;

2.3.3 establish, acquire or operate, or license others to establish and operate, salons or stores under other systems or other marks, which Salons or stores may offer or sell products that are different from the products and services offered from the Salon, and which Salons or stores may be located within or outside the Development Area, notwithstanding such Salon's or store's proximity to the Development Area or to any Salon developed or operated pursuant to this Agreement, or their actual or threatened impact on sales at such Townhouse Salon(s);

2.3.4 in the event Franchisor or its Affiliates acquire another chain or system, or Franchisor or its Affiliates are acquired by another chain or system, that operates and/or franchises salons or stores that are the same or similar to Townhouse Salons in that they have a substantially similar products or services, Franchisor or its affiliates may establish, acquire or operate, or license others to establish and operate, Salons or stores under other systems or other marks, which salons or stores may offer or sell products or services that are the same as, or similar to, the products and services offered from the Salon, and which Salons or stores may be located within or outside the Development Area, despite these Salons' or stores' proximity to any Townhouse Salon operated by Developer or their actual or threatened impact on sales at such Townhouse Salon; and

2.3.5 sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any products, services, or merchandise from any location or to any customer, including through any Reserved Channel, so long as such sales are not conducted from a Townhouse Salon operated from a location inside the Development Area.

2.4 No Rights in Marks. This Agreement is not a franchise agreement, and does not grant to Developer any right to use in any manner Franchisor's Marks or System.

2.5 No Sublicensing. Developer shall have no right under this Agreement to license others to use in any manner the Marks or System.

3. DEVELOPMENT FEE

3.1 Development Fee. In consideration of the development rights granted herein, Developer shall pay to Franchisor the development fee specified in Exhibit A (the “**Development Fee**”) on or before the Effective Date. In addition to the Development Fee, Developer (or a permitted Affiliate of Developer) shall pay the required Initial Franchise Fee under each Franchise Agreement executed pursuant to this Agreement.

3.2 Non-Refundability. Except as otherwise provided in Section 3.1 below, the Development Fee shall be fully earned when received by Franchisor and shall be non-refundable in consideration of administrative and other expenses incurred by Franchisor and for the development opportunities lost or deferred as a result of the rights granted Developer herein.

4. DEVELOPMENT OBLIGATIONS

4.1 Exercise of Development Obligations; Franchise Agreements. Developer shall execute a Franchise Agreement for each Salon to be developed hereunder. Developer shall execute the first Franchise Agreement required under this Agreement contemporaneously with the execution of this Agreement. Notwithstanding the foregoing, Franchisor, in its sole discretion, may permit one or more Franchise Agreements to be executed by entities other than Developer; provided that (a) Developer owns a controlling ownership interest in the franchisee entity; (b) Franchisor consents to the ownership structure of, and each owner of more than twenty-five percent (25%) equity in, the franchisee entity; and (c) the Developer, or a Principal (defined in Section 8.2 below) of Developer consented to by Franchisor, executes a guarantee, guaranteeing to Franchisor the timely payment and performance of the franchisee’s obligations under the Franchise Agreement. Each Salon shall be located at a Site approved by Franchisor in writing, within the Development Area (the “Site” or “**Designated Location**”). The Franchise Agreement for the first (1st) Salon developed hereunder shall be in the form of the Franchise Agreement attached hereto as Exhibit E, and the Franchise Agreement for each additional Salon developed hereunder shall be the form of Franchise Agreement being offered generally by Franchisor at the time each such Franchise Agreement is executed. If Developer is in full compliance with this Agreement and all other Franchise Agreements with Franchisor, then, notwithstanding anything to the contrary in any of the Franchise Agreements, for each Franchise Agreement for a Salon required to be established under Section 2.1 above, the initial franchise fee and royalty fee shall be as set forth in the form of Franchise Agreement appended hereto as Exhibit E.

4.2 Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule. Failure by Developer to adhere to the Development Schedule shall constitute a default under this Agreement as provided in Section 7.2 hereof. Developer acknowledges and agrees that the time limits and time frames set forth in and inherent in the Development Schedule, and not those in the Franchise Agreement or any site selection addendum to the Franchise Agreement or similar site approval addenda, shall govern Developer’s obligations hereunder.

4.3 Site Evaluation. Unless otherwise agreed, Developer shall use the services of Franchisor’s nominated real estate broker to support Developer in identifying sites for Salons. For each Salon to be developed hereunder, Developer shall submit to Franchisor, in the form that Franchisor specifies, such site approval forms and data that Franchisor may specify, which may include a copy of the site plan, financial information, and such other information or materials as Franchisor may reasonably require, together with an option contract, letter of intent, term sheet, lease, or other evidence satisfactory to Franchisor which describes Developer’s favorable prospects for obtaining such site. No site shall be deemed approved unless it has been expressly approved in writing by Franchisor. Developer hereby acknowledges and agrees that consent by Franchisor of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Salon or for any other purpose. Consent by

Franchisor of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Developer and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to approval by Franchisor of a site and demographic factors, such as competition from other similar businesses, included in or excluded from criteria used by Franchisor could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond the control of Franchisor. Franchisor shall not be responsible for the failure of a site approved by Franchisor to meet Developer's expectations as to revenue or operational criteria. Developer further acknowledges and agrees that its acceptance of a franchise for the operation of a Salon at a site is based on its own independent investigation of the suitability of the site. For each Salon to be developed hereunder, Developer shall execute a lease/sublease that complies with the provisions of Section 3 of the Franchise Agreement, including the Lease Rider set forth in Exhibit F of the Franchise Agreement, or a binding agreement to purchase the site. Developer acknowledges and agrees that, notwithstanding the execution of the Franchise Agreement and any applicable exhibits and attachments thereto, the selection and approval of a site that may become a Designated Location under a Franchise Agreement shall be governed by this Agreement and Franchisor's site review and approval procedures as set forth in Franchisor's Manual. Franchisor reserves the right to designate third parties to provide Developer with some of the site selection and site evaluation assistance described above.

5. TERM

5.1 Term. The term of this Agreement and all rights granted hereunder shall expire at the earlier of (a) the last date specified in the Development Schedule, or (b) the opening of the last Salon under the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement; provided however, that Developer's obligations with respect to (i) the Designated Representative, (ii) training of the Designated Representative and Key Staff of each Salon developed hereunder, and (iii) ongoing oversight and management of the Salon developed hereunder, shall continue until the expiration of the Franchise Agreement for the last Salon developed and operated hereunder..

6. DUTIES OF THE PARTIES

6.1 Site Selection Guidelines. Franchisor shall furnish to Developer suggested site selection criteria which is currently reflected in advice based on site and demographic factors, and will include Franchisor's minimum standards for a location for the Salon, and such site selection counseling and assistance as Franchisor may deem advisable.

6.2 Site Approval Process. In response to Developer's request for site approval, Franchisor shall perform one (1) on-site evaluation of a proposed site for each Salon to be developed hereunder. Franchisor shall perform additional on-site evaluations as Franchisor may deem advisable in response to Developer's requests for site approval; provided, however, that Franchisor shall not be required to provide on-site evaluation for any proposed site(s) in addition to Developer's first (1st) proposed site for each Salon. If additional (*e.g.*, more than one (1)) on-site evaluation is deemed necessary and appropriate by Franchisor (on its own initiative or at Developer's request) for any Salon to be established, Developer shall reimburse Franchisor for all reasonable expenses incurred by Franchisor in connection with such on-site evaluation visit(s), including, without limitation, the cost of travel, lodging and meals. Franchisor reserves the right to require that Developer utilize a real estate broker that Franchisor designates, approves, or recommends to assist Developer in locating sites and/or negotiating lease terms for the Salon location(s).

6.3 Developer's Obligations. Developer accepts the following obligations:

6.3.1 Developer shall at all times preserve in confidence any and all materials and information furnished or disclosed to Developer by Franchisor, and shall disclose such information or materials only to such of Developer's employees or agents who must have access to it in connection with their employment. Developer shall not at any time, without Franchisor's prior written consent, copy, duplicate, record, or otherwise reproduce such materials or information, in whole or in part, nor otherwise make the same available to any unauthorized person.

6.3.2 Developer shall comply with all requirements of federal, state, and local laws, rules, and regulations. To the extent that the requirements of said laws are in conflict with the terms of this Agreement or other instructions of Franchisor, Developer shall: (a) comply with said laws; and (b) immediately provide written notice describing the nature of such conflict to Franchisor.

6.4 Initial Training.

6.4.1 Franchisor will conduct an initial training program for Developer (and its Designated Representative) and Key Staff as required by Franchisor and as set forth in the Manual. Developer's Designated Representative shall be responsible for training all of each Franchisee's staff and employees, including managers, technicians and estheticians, and shall provide such training in strict compliance with the System Standards.

6.4.2 A summary of the material aspects of operating a Townhouse Salon, which will be the subject of the training program are set forth in Exhibit D hereto. Franchisor will provide the initial training program at Franchisor's headquarters or other location that Franchisor may specify. Franchisor will provide the initial training, for no additional fee, for Developer's Designated Representative, and such other employees of Developer as Franchisor may specify. Developer agrees to pay all travel, living and other expenses which its personnel incur during training.

6.4.3 Developer's Designated Representative, and any Key Staff designated by Franchisor, must satisfactorily complete initial training within forty-five (45) days of signing this Agreement. If any required trainee fails to complete the initial training to Franchisor's satisfaction, then such person may repeat the course or send a substitute to complete the next available training program. Franchisor reserves the right to charge Developer for substitute personnel that attend the next training program. If Franchisor determines that the Designated Representative cannot complete initial training to Franchisor's satisfaction, Franchisor may terminate this Agreement. Among the current criteria for satisfactory completion of training are attendance at all training classes, passing all interim and final tests and exams, and demonstrating a capability and willingness to comply with System Standards and Minimum Performance Standards.

6.5 Ongoing Training; Conferences; Training of Replacement Personnel

6.5.1 Franchisor may require Developer's Designated Representative and any designated Key Staff to attend and complete satisfactorily various training courses that Franchisor periodically chooses to provide at the times and locations that Franchisor designates, as well as periodic conventions, regional meetings, and conferences that Franchisor specifies. Developer's Designated Representative and any designated Key Staff will be required to participate in up to two (2) days of refresher training per year. This training may be provided virtually or at a location designated by Franchisor. Generally, the principal goal of the training programs is to communicate

to the Designated Representatives, managers, and employees the brand standards and critical features of a Townhouse Salon. Franchisor may charge reasonable registration or similar fees for these courses. If attendance at these conventions, meetings or conferences is mandatory, Franchisor reserves the right to charge Developer (and any Franchisee) the registration, attendance or similar fees, including, a non-attendance fee in an amount Franchisor designates, even if Developer (or Franchisee) or the required attendee does not attend. In addition, Developer must pay all costs to attend.

6.5.2 Franchisor requires that Developer's replacement Designated Representative (if applicable and if any) satisfactorily complete Franchisor's initial training program within ninety (90) days after being designated as Designated Representative. Developer agrees to pay all travel and living expenses which Developer, its Designated Representative, any Franchisee, and its or their employees incur during all training courses and programs.

6.5.3 Developer understands and agrees that any specific ongoing training or advice Franchisor provides does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which Franchisor may discontinue and modify from time to time.

6.6 Financial Reports. With respect to the operation and financial condition of Developer, Developer shall adopt, until otherwise specified by Franchisor, a fiscal year and fiscal accounting periods which coincide with Franchisor's then-current fiscal year, as specified by Franchisor. Developer shall maintain for a period of not less than three (3) years during the term of this Agreement, and, for not less than three (3) years following the termination, expiration, or non-renewal of this Agreement, full, complete, and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing. Developer shall prepare and maintain all books and records required under this Agreement and as prescribed by Franchisor during each fiscal year during this Agreement and for the three years prior to each fiscal year. To the extent books and records are created and/or maintained in an electronic form, all such books and records must be capable of being reviewed by Franchisor or its designee without special hardware or software. In addition, Franchisor reserves the right to require that Developer comply with and satisfy any or all of the following:

6.6.1 Developer shall, at its expense, provide to Franchisor, in a format specified by Franchisor, an annual report that shall be a complete annual financial statement (prepared according to generally accepted accounting principles, that includes a fiscal year-end balance sheet, an income statement for such fiscal year reflecting all year-end adjustments, and a statement of changes in cash flow of Developer), on a review basis, prepared by an independent certified public accountant satisfactory to Franchisor, or an accounting service approved by Franchisor, if such person, company, or service, along with Principal of the Developer, certifies to its accuracy, no later than February 15 of each year for the preceding fiscal year of Developer.

6.6.2 No later than the twentieth (20th) day of each calendar year quarter during the term of this Agreement, Developer shall submit to Franchisor, for the preceding calendar year quarter, in a format acceptable to (or, at Franchisor's election, specified by) Franchisor as amended from time to time: (i) a monthly operating statement (which may be unaudited); and (ii) reports of those income and expense items which Franchisor specifies from time to time for use in any revenue, earnings, and/or cost summary it chooses to furnish to prospective franchisees and/or developers. Developer shall also certify to Franchisor that Developer has accurately and timely filed all state and local sales tax returns for Developer. If required

by Franchisor, Developer shall use on-line or other electronic accounting and reporting systems as Franchisor may specify periodically.

6.6.3 Once Developer (and/or any affiliate of Developer) has established and operates two (2) or more Salons, then at its expense, Developer shall also furnish to Franchisor, no later than February 15 of each year for the preceding fiscal year during the term hereof, an Administrative P&L. The term “Administrative P&L” shall mean a profit and loss statement, and such additional financial information in such detail as Franchisor may reasonably require, relating to the expenses Developer (and/or its affiliates) incurred with respect to the management of its operations during said fiscal year; and such Administrative P&L shall be prepared on a review basis by an independent certified public accountant satisfactory to Franchisor.

6.7 Guarantee. Each present and future: (i) shareholder of a corporate Developer with at least a twenty percent (20%) equity interest in Developer; (ii) member of a limited liability company Developer, with at least a twenty percent (20%) equity interest in Developer; (iii) partner of a partnership Developer with at least a twenty percent (20%) equity interest in Developer; (iv) partner of a limited liability partnership Developer with at least a twenty percent (20%) equity interest in Developer; (v) general partner of a partnership Developer; (vi) general partner of limited liability partnership Developer; and (vii) managing member of a limited liability company Developer; shall jointly and severally guarantee Developer’s performance of each and every provision of this Agreement by executing the Guarantee in the form attached to this Agreement as Exhibit B, provided, however, that no guarantee shall be required from a person who acquires Developer’s securities (other than a controlling interest) if and after Developer becomes registered under the Securities Exchange Act of 1934. For purposes of calculating the interest of a person, all interests held by the following shall be attributed, requiring guarantees from all such individuals or entities: (a) family of an individual including his brothers and sisters (whether by the whole or half blood), spouse, ancestors, lineal descendants, and spouses of any of these individuals and lineal descendants of any of such spouses; and (b) any entities controlled in the aggregate by some or all of such individuals.

7. DEFAULT

7.1 Automatic Termination. Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Developer, if Developer is subject to or commits an Insolvency Event.

7.2 Compliance with Development Schedule. Developer acknowledges and agrees that time is of the essence, and that Developer has agreed to strict compliance with the Development Schedule. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 7.4 below, without affording Developer any opportunity to cure the default, effective immediately upon the provision of notice to Developer (in the manner provided under Section 10 hereof);

7.2.1 If Developer misses a deadline set forth in the Development Schedule.

7.2.2 If the Franchise Agreement for any Salon operated by Developer (or a Principal or entity affiliated with Developer) is terminated.

7.2.3 If Developer, or if a franchisee that is affiliated with Developer, is not operating any of its franchised Townhouse Salons in strict conforming with all agreements, guidelines and standards specified by Franchisor from time to time, and such lack of conformance has not been remedied or cured after notice from Franchisor, even if Franchisor has not issued a formal notice of default, or if Developer

or the franchisee is not considered as a franchisee "in good standing" with Franchisor, as Franchisor may specify such criteria from time to time for franchisees in the network.

7.3 Other Defaults; Cure Period. Except as otherwise provided in Sections 7.1 and 7.2, above, if Developer fails to comply with any material term and condition of this Agreement, or fails to comply with the terms and conditions of any Franchise Agreement or other development agreement between the Developer (or an Affiliate of Developer) and Franchisor, such action shall constitute a default under this Agreement. Upon the occurrence of any such default, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Developer at least thirty (30) days prior to the effective date of termination; provided, however, that Developer 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 (or such longer period as applicable law may require). If any such default is not cured within the specified time (or such longer period as applicable law may require), this Agreement and all rights granted hereunder (including but not limited to, the right to develop any new Salons) will terminate without further notice to Developer, effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

7.4 Actions in Lieu of Termination. If Franchisor is entitled to terminate this Agreement in accordance with Sections 7.2 or 7.3 above, Franchisor shall have the right to undertake any one or more of the following actions instead of terminating this Agreement:

7.4.1 Franchisor may terminate or modify any rights that Developer may have with respect to "exclusivity" or protection in the Development Area, as granted under Section 2.1 above, effective ten (10) days after delivery of written notice thereof to Developer; and/or

7.4.2 Franchisor may modify, or eliminate completely, the Development Area described in Section 2.1 above.

7.4.3 Franchisor may delay Developer's right to develop, own or operate additional Townhouse Salons, for (i) a designated period of time, or until certain events of default under this Agreement or any franchisee agreement are cured, or (ii) indefinitely, and such delay shall not extend, or be deemed for extend, any time period under the Development Schedule.

7.4.4 If any of such rights, options, arrangements, or areas are terminated or modified in accordance with this Section 7.4, such action shall be without prejudice to Franchisor's right to terminate this Agreement in accordance with Sections 7.2 or 7.3 above, and Franchisor shall have the right to retain all Development Fees paid by Developer, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

7.5 Post-Termination Rights. Upon termination or expiration of this Agreement, Developer shall have no right to establish or operate any Salons for which a Franchise Agreement has not been executed by Franchisor at the time of termination. Thereafter, Franchisor shall be entitled to establish, and to license others to establish, Salons in the Development Area (except as may be otherwise provided under any Franchise Agreement that has been executed between Franchisor and Developer).

7.6 Cross-Default. No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the Parties hereto.

7.7 No Exclusive Remedy. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity.

8. TRANSFERS

8.1 Franchisor Transfers. Developer acknowledges that Franchisor maintains a staff to manage and operate the System and that staff members can change as employees come and go. Developer represents that Developer has not signed this Agreement in reliance on any particular owner, shareholder, director, officer, or employee remaining with Franchisor in that capacity. Franchisor may undertake any of the following, without restriction or prior notice to Developer: Franchisor may change its ownership or form; Franchisor may be acquired by a third party or other investors; Franchisor may sell, assign, or transfer ownership interests in Franchisor or any of its Affiliates; and/or Franchisor may assign this Agreement and any other agreement to a third party. After Franchisor's assignment of this Agreement to a third party who expressly assumes the obligations under this Agreement, Franchisor no longer will have any performance or other obligations under this Agreement.

8.2 Principals. If Developer is a corporation, limited liability company, partnership, or limited liability partnership, each principal of Developer with at least a twenty percent (20%) equity ownership interest in Developer ("**Principal**"), and the interest of each Principal in Developer, is identified in Exhibit C hereto. Developer represents and warrants that its owners are as set forth on Exhibit C attached to this Agreement, and covenants that it will not permit the identity of such owners, or their respective interests in Developer, to change without complying with this Agreement. Franchisor shall have the right to designate any person or entity which owns a twenty percent (20%) interest in Developer as a Principal, and Exhibit C shall be so amended automatically upon notice thereof to Developer. Throughout the term of this Agreement, Franchisor shall have a continuing right to designate as a Principal any person or entity that owns a direct or indirect interest in Developer.

8.3 Developer Transfers. Developer understands and acknowledges that the rights and duties set forth in this Agreement are personal to Developer, and that Franchisor has granted the rights described in this Agreement in reliance on Developer's or Developer's Principals' business skill, financial capacity, and personal character. Accordingly:

8.3.1 Developer shall not, without the prior written consent of Franchisor, transfer, pledge, or otherwise encumber: (a) the rights and obligations of the Developer under this Agreement; (b) any material asset of Developer; (c) the lease or any other interest in any site that is or may become an Designated Location under any Franchise Agreement; or (d) any ownership interests in Developer.

8.3.2 If Developer is a corporation, Developer shall not, without the prior written consent of Franchisor: (a) issue any voting securities or securities convertible into voting securities, nor (b) permit the transfer, sale, pledge, or any assignment whatsoever of such securities; and the recipient of any such securities shall become a Principal under this Agreement, if so designated by Franchisor.

8.3.3 If Developer is a partnership or limited liability company, the partners of the partnership or members of the limited liability company shall not, without the prior written consent of Franchisor, admit additional general partners or managing members, remove a general partner or managing member, or otherwise materially alter the powers of any general partner or managing member. Each general partner or member of a partnership or limited liability company shall automatically be deemed a Principal of Developer.

8.3.4 A Principal shall not, without the prior written consent of Franchisor, transfer, pledge or otherwise encumber any interest of the Principal in Developer as shown in Exhibit C.

8.3.5 Developer shall not transfer or assign its lease for any Site or Designated Location to, or permit a default or surrender of the lease that will or may cause any Site or Designated to be owned, leased, or operated by, any person or entity that will not operate a Townhouse Salon at the Site, without the prior written consent of Franchisor.

8.4 Conditions for Approval. Franchisor shall not unreasonably withhold any consent required by Section 8.3; provided, if Developer proposes to transfer its obligations hereunder or any interest in any material asset, or if Developer or a Principal proposes to transfer any direct or indirect interest in Developer, Franchisor shall have the right to require any or all of the following as conditions of its approval:

8.4.1 The transferor shall have executed a general release (which shall include a release from the transferor, Developer, and the current and former owners, Principals and guarantors of Developer), in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between Developer and Franchisor or its affiliates, and federal, state, and local laws and rules.

8.4.2 The transfer shall be accompanied by a transfer of all franchise agreements with Franchisor and rights to all Salons operated thereunder and owned by Developer to the same transferee.

8.4.3 The transferee of a Principal shall be designated as a Principal and each transferee who is designated a Principal shall enter into a written agreement, in a form satisfactory to Franchisor, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in Developer; and, if the obligations of Developer were guaranteed by the transferor, the Principal shall guarantee the performance of all such obligations in writing in a form satisfactory to Franchisor.

8.4.4 Prior to, and after the transfer, the Principals of the Developer shall meet Franchisor's educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the business of Developer, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business.

8.4.5 If a proposed transfer would result in a change in control of the Developer, at Franchisor's option, the transferee or the new developer controlled by the transferee shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System Developers, and such other ancillary agreements required by Franchisor for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement.

8.4.6 The transferor shall remain liable for all of the obligations to Franchisor in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability.

8.4.7 The transferee shall have the same training obligations as set forth for Developer in Section 5.4.

8.4.8 If a proposed transfer would result in a change in control of Developer, the Developer's business, or any of Developer's assets, including any Townhouse Salons owned, operated, or

controlled by Developer, Developer shall pay a non-refundable transfer fee of Twenty Thousand Dollars (\$20,000), which amount shall be in addition to any transfer fees paid under any Franchise Agreements subject to this Development Agreement. In addition, in the event a proposed transfer is not consummated or closed, for any reason except for disapproval by Franchisor, Developer or the proposed transferee shall reimburse Franchisor for all of its costs and expenses incurred in connection with its evaluation of the proposed transfer, including, without limitation, attorneys' and accountants' fees, background checks, site evaluation, and training, if applicable.

8.4.9 The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement.

8.4.10 Franchisor may expand upon, and provide more details related to, the conditions for transfer and Franchisor's consent as described in this Section 8.4, and may do so in the Manual or otherwise in writing. Franchisor may, but is not obligated to, provide the additional details regarding the transfer conditions and Franchisor's consent to Developer.

8.5 Right of First Option.

8.5.1 If Developer or any Principal desires to accept any *bona fide* offer from a third party to purchase Developer, any material assets of Developer, any direct or indirect interest in this Agreement, or any direct or indirect interest in Developer, Developer or such Principal first must notify Franchisor of such offer, and must provide to Franchisor in writing the terms and conditions upon which such sale or transfer may be made. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of all such information, to send written notice to seller that Franchisor intends to purchase the seller's interest or such material assets on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest or such assets, the closing on such purchase shall occur within sixty (60) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor does not elect to purchase the interest in Developer or this Agreement, or assets proposed for sale or transfer, Developer or its Principal may then offer such interest in Developer or this Agreement, or assets to third parties for sale or transfer on the same terms and conditions as those offered to Franchisor as described above, subject to the provisions of Section 8.5.2 below.

8.5.2 Any material change in the terms of the *bona fide* offer prior to closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 8.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 8, with respect to a proposed transfer, or a waiver of any subsequent offer.

8.5.3 In the event the consideration, terms, and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms, and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one (1) independent appraiser, then an independent appraiser shall be promptly designated by Franchisor and another independent appraiser shall be promptly designated by Developer or seller, which two (2) appraisers shall, in turn, promptly designate a third appraiser; all three (3) appraisers shall promptly confer and reach a single determination, which determination shall be binding upon Franchisor and Developer or seller. The cost of any such appraisal shall be shared equally by Franchisor and Developer or seller. If Franchisor elects to exercise its right under this Section 8.5, Franchisor shall have the right to set off all

amounts due from Developer or seller, and one-half (½) of the cost of the appraisal, if any, against any payment to the seller.

8.6 Transfer Upon Death. Upon the death of a Principal, the deceased's executor, administrator, or other personal representative shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the death. If the distributee is not approved by Franchisor, then the distributee shall transfer the deceased's interest to a third party approved by Franchisor within twelve (12) months after the deceased's death.

8.7 Transfer Upon Permanent Disability. Upon the permanent disability of any Principal with a controlling interest in Developer, Franchisor may, in its sole discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 8 within six (6) months after notice to Developer. "**Permanent Disability**" shall mean any physical, emotional, or mental injury, illness, or incapacity that would prevent a person from performing the obligations set forth in this Agreement for at least six (6) consecutive months and from which condition recovery within six (6) months from the date of determination of disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician selected by Franchisor upon examination of such person or, if such person refuses to be examined, then such person shall automatically be deemed permanently disabled for the purposes of this Section 8.7 as of the date of refusal. Franchisor shall pay the cost of the required examination.

8.8 Notification Upon Death or Permanent Disability. Upon the death or Permanent Disability of any Principal of Developer, such person or his representative shall promptly notify Franchisor of such death or claim of Permanent Disability. Any transfer upon death or Permanent Disability shall be subject to the same terms and conditions as any *inter vivos* transfer.

8.9 No Waiver of Claims. Franchisor's consent to a transfer which is the subject of this Section 7 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

8.10 Insolvency. If Developer or any person holding any interest (direct or indirect) in Developer commits or is subject to an Insolvency Event, it is the parties' understanding and agreement that any transfer of Developer, Developer's obligations and/or rights hereunder, any material assets of Developer, or any indirect or direct interest in Developer shall be subject to all of the terms of this Section 8, including without limitation the rights set forth in Sections 8.3, 8.4, and 8.5 above.

8.11 Securities Offerings. All materials for an offering of stock or partnership interests in Developer or any affiliate of Developer which are required by federal or state law shall be submitted to Franchisor for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering shall be submitted to Franchisor for such review prior to their use. No offering by Developer or any affiliate of Developer shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of the securities of Developer or Developer's affiliates; and Franchisor's review of any offering shall be limited solely to the relationship between Franchisor and Developer and any subsidiaries and affiliates, if applicable. Franchisor may, at its option, require the offering materials to contain a written statement prescribed by Franchisor concerning the limitations stated in the preceding sentence. Developer (and the offeror if not Developer), the Principals, and all other participants in the offering must fully indemnify Franchisor, its subsidiaries, affiliates, successor, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in connection with the offering. For each proposed offering, Developer shall pay Franchisor a non-refundable fee of Twenty Thousand Dollars (\$20,000) or such greater

amount as is necessary to reimburse Franchisor for its reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering. Developer shall give Franchisor written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 8.11 commences. Any such offering shall be subject to all of the other provisions of this Section 8, including without limitation those set forth in Sections 8.3, 8.4, and 8.5; and further, without limiting the foregoing, it is agreed that any such offering shall be subject to Franchisor's approval as to the structure and voting control of the offeror (and Developer, if Developer is not the offeror) after the financing is completed.

9. COVENANTS

9.1 Full Time and Best Efforts. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer (or one (1) designated Principal or management employee who will assume primary responsibility for the operations of Developer and shall have been previously approved in writing by Franchisor) shall devote full time, energy, and best efforts to the management and operation of the business contemplated hereunder.

9.2 In-Term Covenants. Developer specifically acknowledges that, pursuant to this Agreement, Developer will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System. Developer covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person (including, but not limited to, through a spouse, a parent, or a child), persons, partnership corporation or entity:

9.2.1 Divert or attempt to divert any business or customer of any Salon using the System 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 Franchisor's Marks and the System.

9.2.2 Unless released in writing by the employer, employ or seek to employ any person who is at that time employed by Franchisor, an affiliate of Franchisor or by any other franchisee or developer of Franchisor in the role of general manager or assistant manager, or otherwise performs management level functions and has completed Franchisor's management training program, or otherwise directly or indirectly induce such person to leave his or her employment. Developer acknowledges and agrees that this provision is reasonable as it is designed to protect a developer's or a franchisee's or other operator under the Townhouse System's significant investment of time, money and resources in recruiting, training and retaining valuable management employees.

9.2.3 Except as otherwise approved in writing by Franchisor, own, maintain, operate, engage in, support, provide services or assistance to, or have any interest in any "**Competing Business**."

9.3 Post-Term Covenants. Developer covenants that, except as otherwise approved in writing by Franchisor, Developer shall not, for a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 8 above; (b) expiration or termination of this Agreement (regardless of the cause for termination); or (c) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Section; either directly or indirectly (through, on behalf of, or in conjunction with any persons (including, but not limited to, through a spouse, a parent, or a child), partnership, or corporation, or entity), own, maintain, operate, engage in, or have any interest in any Competing Business which is, or is intended to be, located within the Development Area, or within a ten (5) mile radius of either the Development Area or any other Townhouse Salon operating at the time that the obligations under this Section 9.3 commence.

9.4 Publicly-Held Corporations. Section 9.3 above shall not apply to ownership by Developer of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term “**publicly-held corporation**” shall be deemed to refer to a corporation which has securities that have been registered under the federal Securities Exchange Act of 1934.

9.5 Individual Covenants. At Franchisor’s request, Developer shall require and obtain execution of covenants similar to those set forth in Sections 8 and 9 (as modified to apply to an individual) from any or all of the following persons: Developer’s Principals and designated management employees. The covenants required by this Section 9.5 shall be in the form provided in Exhibit F to this Agreement. Failure by Developer to obtain execution of a covenant required by this Section 9.5 shall constitute a default under Section 7.3 hereof.

9.6 Severability. The parties 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 Section 8 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Developer expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 9.

9.7 Scope of Covenants. Developer understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 9.2 and 9.3 in this Agreement, or any portion thereof, without Developer’s consent, effective immediately upon receipt by Developer of written notice thereof; and Developer agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 14 hereof.

9.8 Enforcement of Claims. Developer expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 8. Developer agrees to pay all costs and expenses (including reasonable attorneys’ fees, costs, and expenses (and interest on such fees, costs, and expenses)) incurred by Franchisor in connection with the enforcement of this Section 9.

9.9 Irreparable Injury. Developer acknowledges that Developer’s violation of the terms of this Section 8 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and Developer accordingly consents to the issuance of an injunction prohibiting any conduct by Developer in violation of the terms of this Section 8.

10. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent via a recognized overnight delivery service, or sent by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties at the addresses (which shall not include only a P.O. Box) shown on the signature page of this Agreement, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

11. PERMITS AND COMPLIANCE WITH LAWS

11.1 Compliance with Laws. Developer shall comply with all federal, state, and local laws, rules, and regulations, including without limitation, employment, labor, and wage and hour laws, tax laws,

and local operating regulations. Developer shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the business contemplated under this Agreement. Developer acknowledges that, notwithstanding any rights or obligations set forth herein, no part of this Agreement shall be read to require Developer to engage in acts or practices that violate any law.

11.2 Notification of Claims. Developer shall notify Franchisor in writing within three (3) days of receipt of notice of any health or safety violation, the 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, or occurrence of any accident or injury which may adversely affect the operation of the business contemplated hereunder or the financial condition of Developer or give rise to liability or a claim against Developer or Franchisor.

12. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

12.1 Independent Contractors. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them, that Developer shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. Developer acknowledges and agrees that it is solely responsible for all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, and that such decisions shall be made by Developer, without any influence or advice from Franchisor, and such decisions and actions shall not be, nor deemed to be, a decision or action of Franchisor.

12.2 Identification as Independent Contractor. At all times during the term of this Agreement, Developer shall hold itself out to the public and to its employees as an independent contractor operating pursuant to this Agreement. Developer agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in the Developer's offices, the content of which Franchisor reserves the right to specify.

12.3 No Agency. It is understood and agreed that nothing in this Agreement authorizes Developer to make any contract, agreement, warranty, or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and that Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Developer in Developer's operations hereunder, or for any claim or judgment arising therefrom against Developer or Franchisor.

12.4 Indemnification. Developer shall, to the fullest extent permissible under applicable law, indemnify and hold Franchisor, Franchisor's owners and affiliates, and their respective officers, directors, employees, and agents, harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with this Agreement, Developer's operation of the business conducted under this Agreement, Developer's and Developer's employees' actions and inaction, or Developer's breach of this Agreement, including, without limitation, those alleged to be caused by Franchisor's negligence or brought by Developer. Developer must also defend Franchisor and its affiliates, and their respective officers, directors, employees, and agents, against all Claims, provided that Franchisor or its affiliates, and their respective officers, directors, employees, and agents may use their own counsel and may control the investigation and defense of such claims, but at Developer's cost and expense. Developer's obligations under this Section do not apply if (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees (including, but not limited to, attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses)), travel expenses, and

other charges, in connection with any proceeding involving Developer in which Franchisor is not a party, Developer shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Developer acknowledges and agrees that Developer's indemnification, defense, and hold harmless obligations under this Section 11.4 shall survive the termination or expiration of this Agreement.

13. APPROVALS AND WAIVERS

13.1 Approvals. Whenever this Agreement requires Franchisor's prior approval or consent, Developer shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

13.2 No Warranties. Developer acknowledges and agrees that Franchisor makes no warranties or guarantees upon which Developer may rely, and assumes no liability or obligation to Developer, by providing any waiver, approval, consent, or suggestion to Developer in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

13.3 Waivers. No delay, waiver, omission, or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Developer under any of the terms, provisions, covenants, or conditions of this Agreement, shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power as against Developer, or as to subsequent breach or default by Developer. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Developer of any terms, provisions, covenants, or conditions of this Agreement.

14. ENTIRE AGREEMENT AND AMENDMENT

This Agreement and the exhibits referred to herein constitute the entire, full, and complete Agreement between Franchisor and Developer concerning the subject matter hereof, and supersede any and all prior or contemporaneous negotiations, discussions, understandings and agreements, no other representations having induced Developer to execute this Agreement. There are no other oral or written understandings or agreements between Franchisor and Developer, or oral representations by Franchisor, or written representations by Franchisor (other than those set forth in Franchisor's Franchise Disclosure Document that Franchisor provided to Developer), relating to the subject matter of this Agreement, the development rights, or the Franchised Businesses. However, and notwithstanding the foregoing, nothing in this Development Agreement is intended to disclaim any representations made by Franchisor in the Franchise Disclosure Document that Franchisor furnished to Developer. No amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

15. SEVERABILITY AND CONSTRUCTION

15.1 Severability. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any Party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the

agreement unless in the reasonable opinion of Franchisor the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon Franchisor shall have the right by notice in writing to the other Party to immediately terminate this Agreement.

15.2 No Other Rights. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Developer, Franchisor, Franchisor's officers, directors, and employees, and such of Developer's and Franchisor's respective successors and assigns as may be contemplated (and, as to Developer, permitted) by Section 7 hereof, any rights or remedies under or by reason of this Agreement.

15.3 Enforceability of Contract. Developer expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unenforceable in a final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order.

15.4 Construction: Captions. All capitalized terms not defined herein shall have the meaning ascribed to them in the Franchise Agreement. All captions in this Agreement are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

15.5 Survival of Provisions. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, shall so survive the expiration and/or termination of this Agreement.

16. APPLICABLE LAW

16.1 Governing Law. This Agreement takes effect upon its acceptance and execution by Franchisor, and, subject to Franchisor's rights under federal trademark laws, all claims arising out of or relating to this Agreement and/or the parties' relationship will be governed by, and will be interpreted in accordance with, the procedural and substantive laws of the State of Delaware, without regard to its conflict of law principles; provided, however, that if the covenants in Section 8 of this Agreement would not be enforceable under the laws of Delaware, and the Development Area is located outside of Delaware, then such covenants shall be interpreted and construed under the laws of the state in which the Development Area is located. Nothing in this Section 15.1 is intended by the parties to subject this Agreement to any franchise, business opportunity, antitrust, consumer protection, or similar law, rule, or regulation of Delaware to which this Agreement would not otherwise be subject. Further, the parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. Developer waives, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

16.2 Venue. The parties agree that all claims brought by Developer against Franchisor in any court, whether federal or state, must be brought only within such state and exclusively in the judicial district in which Franchisor has its principal place of business at the time the action is commenced. Any action brought by Franchisor against Developer in any court, whether federal or state, may be brought within the state and judicial district in which Franchisor has its principal place of business at the time the action is commenced. The parties agree that this Section 16.2 shall not be construed as preventing either Party from removing an action from state to federal court. Developer hereby waives all questions of personal jurisdiction or venue for the purpose of carrying out this provision. **Any such action shall be conducted on an individual basis, and not as part of a consolidated, common, or class action, and Developer**

waives any and all rights to proceed on a consolidated, common, or class basis. Developer acknowledges and agrees this Section shall survive the termination or expiration of this Agreement.

16.3 No Exclusive Remedies. No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

16.4 Injunctive Relief. Nothing herein contained shall bar Franchisor's right to obtain injunctive relief against threatened conduct that will cause it harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

16.5 Waiver of Jury Trial. **FRANCHISOR AND DEVELOPER IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

16.6 Limitations on Actions. **EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 16.6, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF DEVELOPER AND FRANCHISOR, OR DEVELOPER'S OPERATION OF THE BUSINESS CONTEMPLATED HEREUNDER, ANY PROCEEDING, OR ANY CLAIM IN ANY PROCEEDING (INCLUDING ANY DEFENSES OR ANY CLAIMS OF SET-OFF OR RECOUPMENT) MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS SHALL BE IRREVOCABLY BARRED. CLAIMS OF FRANCHISOR ATTRIBUTABLE TO UNDERREPORTING OF SALES, CLAIMS UNDER THE PROVISIONS OF THIS AGREEMENT PERTAINING TO INSURANCE, AND CLAIMS FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS. "CLAIM" IN THIS SECTION 16.6 MEANS ANY ALLEGATION, CHALLENGE, DEMAND, CAUSE OF ACTION, LAWSUIT, ARBITRATION, DISPUTE, CONTROVERSY, INVESTIGATION OR ADMINISTRATIVE PROCEEDING.**

16.7 Waiver of Damages. **FRANCHISOR AND DEVELOPER HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR MULTIPLE DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT, AND ANY CLAIM TO LIQUIDATED DAMAGES.**

16.8 Costs and Attorneys' Fees. If either Franchisor or Developer seeks to enforce this Agreement, or brings any claims relating to the offering of this Franchise Agreement or the franchise relationship, in an any judicial or other proceeding, the prevailing party shall be entitled to recover its reasonable costs and expenses (including attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses), and expert witness fees, costs of investigation and proof of facts,

court costs, other litigation expenses and travel or living expenses) incurred in connection with such judicial or other proceeding.

17. ACKNOWLEDGMENTS

17.1 Acknowledgements. Developer acknowledges that it has conducted an independent investigation of the business contemplated hereunder, recognizes that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of Developer and if a corporation, partnership, or LLC, its owners as independent businesspersons. Franchisor expressly disclaims the making of, and Developer acknowledges that it has not received, any warranty, representation, or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

17.2 Receipt of Documents. Developer acknowledges that it received a complete copy of this Agreement and the Exhibits hereto, with all of the blank lines herein filled in, prior to the date on which this Agreement was executed, and with sufficient time within which to review the Agreement with advisors of its choosing. Developer further acknowledges that it received the franchise disclosure document required by the Federal Trade Commission's Franchise Rule, 16 C.F.R. Part 436, at least fourteen (14) days prior to the date on which this Agreement was executed.

17.3 Representations and Warranties. Developer and its Principals represent and warrant to Franchisor that: (a) neither Developer nor any of its Principals have made any untrue statement of any material fact nor omitted to state any material fact in its and their franchise application and other documents and information submitted to Franchisor, or in obtaining the rights granted herein; (b) neither Developer nor any of its Principals have any direct or indirect legal or beneficial interest in any business that may be deemed a competitive business, except as otherwise completely and accurately disclosed in its application materials; and (c) neither Developer nor its Principals (i) have been designated as suspected terrorists under U.S. Executive Order 13244; (ii) are identified, either by name or an alias, pseudonym or nickname, on the lists of "Specially Designated Nationals" or "Blocked Persons" maintained by the U.S. Treasury Department's Office of Foreign Assets Control (texts available at www.treas.gov/offices/enforcement/ofac/); (iii) have violated or will violate any law (in effect now or which may become effective in the future) prohibiting corrupt business practices, money laundering or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the USA PATRIOT Act (text available at <http://www.epic.org/privacy/terrorism/hr3162.html>), U.S. Executive Order 13244 (text available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/terrorism.html>), the Foreign Corrupt Practices Act, or any similar law. Developer recognizes that Franchisor approved Developer in reliance on all of the statements Developer and its Principals have made in connection therewith, and that Developer has a continuing obligation to advise Franchisor of any material changes in these statements and representations made to Franchisor in this Agreement or in the application materials.

17.4 No Other Obligations. Each Party represents and warrants to the others that his/her/its execution of this Agreement and all exhibits and addenda hereto do not violate or breach any other agreement, contract or covenant to which such Party is bound, and further represents and warrants to the other parties that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such Party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

17.5 Other Acknowledgments. Developer acknowledges that it shall have sole and complete responsibility for the choice of the Development Area and the Designated Locations within the Development Area; that Franchisor has not given any representation, promise, or guarantee of Developer's

success in the Development Area and at the Designated Locations; and that Developer shall be solely responsible for its own success in the Development Area and at the Designated Locations. Developer acknowledges that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon Developer's ability as an independent businessperson, his/her active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided as well as other factors. Franchisor does not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby, and Developer acknowledges that it has not received nor relied upon, any such representation or warranty.

17.6 Developer's Obligations. Although Franchisor retains the right to establish and periodically modify System Standards, which Developer has agreed to maintain in the operation of the business contemplated hereunder, Developer retains the right and sole responsibility for the day-to-day management, operation, implementation and maintenance of System Standards in the business contemplated hereunder.

17.7 Modification of Offers. Developer acknowledges that Franchisor may modify the offer of its franchises and development agreements to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

17.8 Business Judgment. Developer understands and agrees that Franchisor may operate and change the System and its business in any manner that is not expressly and specifically prohibited by this Agreement. Whenever Franchisor has expressly reserved in this Agreement or is deemed to have a right and/or discretion to take or withhold an action, or to grant or decline to grant Developer a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, Franchisor may make such decision or exercise its right and/or discretion on the basis of Franchisor's judgment of what is in Franchisor's best interests, including without limitation Franchisor's judgment of what is in the best interests of the franchise network, at the time Franchisor's decision is made or its right or discretion is exercised, without regard to whether: (1) other reasonable alternative decisions or actions, or even arguably preferable alternative decisions or actions, could have been made by Franchisor; (2) Franchisor's decision or the action taken promotes Franchisor's financial or other individual interest; (3) Franchisor's decision or the action it takes applies differently to Developer and one or more other developers or Franchisor's company-owned or affiliate-owned operations; or (4) Franchisor's decision or the exercise of its right or discretion is adverse to Developer's interests. In the absence of an applicable statute, Franchisor will have no liability to Developer for any such decision or action. Franchisor and Developer intend that the exercise of Franchisor's right or discretion will not be subject to limitation or review. If applicable law implies a covenant of good faith and fair dealing in this Agreement, Franchisor and Developer agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement and that this Agreement grants Franchisor the right to make decisions, take actions and/or refrain from taking actions not inconsistent with Developer's rights and obligations hereunder.

17.9 Conditions to Future Development. Developer recognizes and acknowledges that this Agreement requires Developer to open Salons pursuant to the Development Schedule. Developer further acknowledges that the estimated expenses and investment requirements set forth in Items 6 and 7 of our Franchise Disclosure Document are subject to increase over time, and that future Salons likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to Developer prior to the execution of this Agreement. Developer must execute all the Franchise Agreements and open all of the Salons in accordance with the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Salons, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this

Agreement if Developer has not complied with each and every required condition to obtain such Franchise Agreements including, but not limited to, Developer's satisfaction of our then-current requirements for franchisees.

Franchisor has entered into this Agreement based, in part, on Developer's current financial condition and our assessment of Developer's ability to meet Franchisor's financial requirements. Developer further acknowledges that operating Salons and meeting our re-equipment, remodeling and other obligations will require significant capital. Developer and Developer's affiliates must at all times maintain reasonably adequate financial resources, taking into account current resources, reasonably projected future cash flows, and reasonable assumptions related to financing, to meet Developer's required capital and operational expenses under this Agreement and the Franchise Agreements. Developer must promptly provide such financial information related to Developer and Developer's affiliates as required by the Franchise Agreements and as Franchisor may reasonably request, including, but not limited to, financial statements, debt agreements (and an accounting of your compliance with such agreements), and historical and projected cash flows and expenses.

17.10 Consultation. Developer acknowledges that it has read and understood this Agreement, the Exhibits hereto, and agreements relating thereto, if any, and that Franchisor has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

(Signatures appear on next page)

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

Townhouse Franchising LLC

Franchisor

Developer

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Address for Notices:

Address for Notices:

Townhouse Franchising, LLC

**611 South Dupont Highway, Suite 102
Dover, Delaware 19901**

Telephone: (302) 546-5188

Attn: Jonathan Millet

Email: franchising@townhouse.co.uk

finance@townhouse.co.uk

jonathan.millet@townhouse.co.uk

Telephone: _____

Attn: _____

**TOWNHOUSE
 AREA DEVELOPMENT AGREEMENT
 EXHIBIT A
 DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

1. Salons. Developer shall develop, own, and operate _____ (___) Townhouse Salons.

2. Development Area. All Salons developed under this Development Agreement shall be located within the boundaries of the following area, which is the “**Development Area**”:

3. Development Schedule. Recognizing that time is of the essence, Developer agrees to satisfy the Development Schedule set forth below:

| By (Date) | Cumulative Total Number of Salons Which Developer Shall Have Open and in Operation |
|-----------|--|
| | |
| | |
| | |
| | |
| | |
| | |

4. Development Fee. The Development Fee is \$_____. (See Section 3.1)

The applicable Development Fee will depend on the number of Salons Developer agrees to develop, as indicated in the chart below:

| Number of Salons Developed | Development Fee |
|----------------------------|-----------------|
| 1 to 15 | \$85,000 |
| 16 or more | \$100,000 |

[Signature Page Follows]

Franchisor Acknowledgement:

Townhouse Franchising LLC

Franchisor

By: _____

Name: Jonathan Millet

Title: Chief Executive Officer

Date: _____

Developer Acknowledgement:

Developer

By: _____

Name: _____

Title: _____

Date: _____

**TOWNHOUSE
AREA DEVELOPMENT AGREEMENT
EXHIBIT B
GUARANTY AND ASSUMPTION OF OBLIGATIONS**

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this _____ day of _____, 20____, by _____

_____.

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (the “Agreement”) on this date by Townhouse Franchising, LLC (“Franchisor”), each of the undersigned personally and unconditionally (a) guarantees to Franchisor and its successors and assigns, for the term of the Agreement (including extensions) and afterward as provided in the Agreement, that _____ (“Developer”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement (including any amendments or modifications of the Agreement) and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement (including any amendments or modifications of the Agreement), both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition (Section 9), confidentiality (Section 6), and transfer requirements (Section 8); provided, however, that this guaranty to pay monetary obligations arising under the Agreement shall be limited to software fees, marketing fees, other periodic fees and payments owed to Franchisor, and any claims under the indemnification provisions of the Agreement (including, without limitation, Section 12.4), and any judgments or claims that are reduced to monetary claims.

Each of the undersigned consents and agrees that: (1) his or her direct and immediate liability under this Guaranty will be joint and several, both with Developer and among other guarantors; (2) he or she will render any payment or performance required under the Agreement upon demand if Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon Franchisor’s pursuit of any remedies against Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time to time grant to Developer or to any other person, including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims (including the release of other guarantors), none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement (including extensions), for so long as any performance is or might be owed under the Agreement by Developer or its owners, and for so long as Franchisor has any cause of action against Developer or its owners; and (5) this Guaranty will continue in full force and effect for (and as to) any extension or modification of the Agreement and despite the transfer of any interest in the Agreement or Developer, and each of the undersigned waives notice of any and all renewals, extensions, modifications, amendments, or transfers; provided, however, that in the event of a complete and total transfer of all assets and ownership interests in Developer and in the Salons, such that a Guarantor has no ownership interest in Developer on the Salon (“Transfer”), this Guaranty shall terminate as of the date of the Transfer with respect to any obligations that arise as of or after the Transfer.

Each of the undersigned waives: (i) all rights to payments and claims for reimbursement or subrogation which any of the undersigned may have against Developer arising as a result of the undersigned’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by Franchisor of his or her undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to

any Party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

If Franchisor is required to enforce this Guaranty in a judicial proceeding, and prevail in such proceeding, Franchisor shall be entitled to reimbursement of Franchisor's costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorneys' assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses, and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guaranty, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incur.

Each of the undersigned agrees that all actions arising under this Guaranty or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, must be commenced in a state or federal court of competent jurisdiction in the state or judicial district in which Franchisor has its principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guaranty and judgment orders in the courts of the state or states in which he or she is domiciled.

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature on the same day and year as the Agreement was executed.

| GUARANTOR(S) | PERCENTAGE OF OWNERSHIP IN DEVELOPER |
|-----------------------|---|
| _____ Signature | _____% |
| _____ Printed Name | |
| _____ Signature | _____% |
| _____ Printed Name | |
| _____ Signature | _____% |
| _____ Printed Name | |

**TOWNHOUSE
AREA DEVELOPMENT AGREEMENT
EXHIBIT C
LISTING OF OWNERSHIP INTERESTS**

Effective Date: This Exhibit C is current and complete
as of _____, 20__

Developer and Its Owners

1. Form of Owner.

(a) Individual Proprietorship. Developer's owner(s) (is) (are) as follows:

(b) Corporation, Limited Liability Company, or Partnership. Developer was incorporated or formed on _____, under the laws of the State of _____. Developer has not conducted business under any name other than Developer's corporate, limited liability company, or partnership name and _____. The following is a list of Developer's directors, if applicable, and officers as of the effective date shown above:

| <u>Name of Each Director/Officer</u> | <u>Position(s) Held</u> |
|--------------------------------------|-------------------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

2. Owners. The following list includes the full name of each person who is one of Developer's owners (as defined in the Area Development Agreement), or an owner of one of Developer's owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

| <u>Owner's Name</u> | <u>Percentage/Description of Interest</u> |
|---------------------|---|
| (a) _____ | _____ |
| (b) _____ | _____ |
| (c) _____ | _____ |
| (d) _____ | _____ |

3. Identification of Designated Representative. Developer's Designated Representative as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). Developer may not change the Designated Representative without Franchisor's prior written approval.

Franchisor Acknowledgement:

Developer Acknowledgement:

Townhouse Franchising LLC
Franchisor

Developer

By: _____

By: _____

Name: Jonathan Millet
Title: Chief Executive Officer
Date: _____

Name: _____
Title: _____
Date: _____

**EXHIBIT D
TO THE AREA DEVELOPMENT AGREEMENT**

SUPPORT PROVIDED BY FRANCHISOR

The nature, frequency and cost of certain levels support provided under this Agreement are set out below. These are supplemented by the support detailed in the Manual.

| Nature of Support | Obligation | Cost Of Obligation |
|--|---|---|
| Initial Designated Representative Training | Townhouse shall train the Designated Representative in the System and the correct operation of Developer's Business by providing introductory courses at such premises and as and when Townhouse, in its full discretion, deems necessary. | Developer shall pay all related Travel and Subsistence Expenses. If Townhouse is required to train a replacement Designated Representative, Developer shall pay the fee set out in the Rate Card and all related Travel and Subsistence Expenses. |
| Salon Training | Townhouse shall provide initial training to the opening team of the first two (2) Salons. Training shall be provided at such premises and as and when Townhouse, in its full discretion, deems necessary. | Developer shall pay all related Travel and Subsistence Expenses. |
| On-going Training | Townhouse shall provide periodic training courses to Developer, the Designated Representative and such of Developer's management team and other employees as Townhouse may require in the System and the correct operation of Developer's Business. Training shall be provided at such premises and as and when Townhouse, in its full discretion, deems necessary. | Developer shall pay the fee set out in the Rate Card and all related Travel and Subsistence Expenses. |
| Initial Salon recruitment | Townhouse will provide operational support to Developer in relation to initial recruitment of the starting team for the first two Salons in accordance with the Manual. For the avoidance of doubt, Developer shall contract directly with such employees recruited as part of the starting team and Townhouse's support in the recruitment process shall not be deemed to create any employee relationship with Townhouse. Further, any advice Townhouse may provide with respect to recruitment of employees shall be suggestions and consultative in nature, and Townhouse shall not make any recommendations regarding, nor shall Townhouse make or be deemed to make and requirements, regarding the hiring, firing, | Developer shall pay all related Travel and Subsistence Expenses. |

| Nature of Support | Obligation | Cost Of Obligation |
|----------------------|---|---|
| | compensation or disciplining of Developer’s (or its Franchisee’s) employees, as those functions are the sole responsibility of Developer (or its Franchisees). | |
| On-going recruitment | For recruitment of any staff members in the Salons other than the starting team for Developer’s first and second Salons, Townhouse may provide operational support in recruitment for additional headcount if required by Developer. Further, any advice or support that Townhouse may provide with respect to recruitment of employees shall be suggestions and consultative in nature, and Townhouse shall not make any recommendations regarding, nor shall Townhouse make or be deemed to make and requirements, regarding the hiring, firing, compensation or disciplining of Developer’s (or its Franchisee’s) employees, as those functions are the sole responsibility of Developer (or its Franchisees). | Developer shall pay the fee set out in the Rate Card and all related Travel and Subsistence Expenses. |

**TOWNHOUSE
DEVELOPMENT AGREEMENT
EXHIBIT E
FRANCHISE AGREEMENT**

The form of Franchise Agreement currently offered by Franchisor is attached.

**TOWNHOUSE
AREA DEVELOPMENT AGREEMENT
EXHIBIT F
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT**

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“**Agreement**”) is made this ____ day of _____, 20____, by and between _____ (the “**Developer**”), and _____, who is a shareholder, principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the “**Member**”).

BACKGROUND:

A. Townhouse Franchising LLC (“**Townhouse Franchising LLC**”) owns a format and system (the “**System**”) relating to the establishment and operation of high quality, luxury experience nail salons(the “**Townhouse Salons**”);

B. Townhouse Franchising LLC and Developer have executed an Area Development Agreement (“**Development Agreement**”) granting Developer the right to establish Townhouse Salons (the “**Salons**”) pursuant to individual franchise agreements, which Salons will produce and distribute products and services approved by Townhouse Franchising LLC and use the Marks in connection therewith under the terms and conditions of the franchise agreements;

C. The Member, by virtue of his or her position with Developer, will gain access to certain of Townhouse Franchising LLC’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Developer is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member shall not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business operated thereunder which may be communicated to Member or of which Member may be apprised by virtue of Developer’s operation under the terms of the Development Agreement (“**Confidential Information**”). Any and all information, knowledge, know-how, and techniques which Townhouse Franchising LLC designates as confidential shall be deemed Confidential Information for purposes of this Agreement, except information which Developer can demonstrate came to its attention prior to disclosure thereof by Townhouse Franchising LLC; or which, at or after the time of disclosure by Townhouse Franchising LLC to Developer, had become or later becomes a part of the public domain, through publication or communication by others.

[Note to Developer: Section 2 of this Agreement, which includes a covenant not to compete, is optional. Townhouse Franchising LLC does not require you to include this language, and it is noted here only for your convenience. Your decision to have your employees execute this Agreement with this Section 2 included, and for you to enforce it, is your decision alone. If you elect to include this Section 2, that decision does not suggest that Townhouse Franchising LLC is an employer of your employees.]

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Development Agreement, and by virtue of its position with Developer, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Townhouse Franchising LLC and the System.

(b) Member covenants and agrees that during the term of Member's employment with, or ownership interest in, Developer, and except as otherwise approved in writing by Townhouse Franchising LLC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of any Salon using the System 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 Townhouse Franchising LLC's Marks and the System;

(ii) Employ or seek to employ any person who is at that time employed by Townhouse Franchising LLC, Developer, any other franchisee, master franchisee, developer, or development agent, or otherwise directly or indirectly induce such person to leave his or her employment; or

(iii) Own, maintain, operate, engage in, be employed by, or have any interest in any business which is the same as or similar to the Salon.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Townhouse Franchising LLC, Member shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to any Salon and which business is, or is intended to be, located: (a) at the location of any Salon developed or operated pursuant to the Development Agreement or within a ten (10) mile radius of the location of any such Salon; (b) within the Development Area established under the Development Agreement; or (c) within a ten (10) mile radius of any other Townhouse Salons operating under the System.

(d) As used in this Agreement, the term "Post-Term Period" shall mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer permitted under Section 8 of the Development Agreement with respect to Member; and/or (b) termination of Member's employment with, and/or ownership interest in, Developer.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Townhouse Franchising LLC irreparable injury, and Member agrees to pay all court costs and reasonable attorneys' fees, costs, and expenses (and interest on such fees, costs, and expenses) incurred by Townhouse Franchising LLC in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, shall be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court shall have the authority to reform and modify that provision in order that the restriction shall be the maximum necessary to protect Townhouse Franchising LLC's and/or Developer's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court shall impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Townhouse Franchising LLC or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement shall be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Jurisdiction, Venue and Choice of Law. This agreement shall be interpreted in accordance with the laws of the state of Maryland. Jurisdiction and venue shall be in the courts of Montgomery County, Maryland or the United States District Court for the District of Maryland, southern division, or the state and county of the residence of the guarantee or the location of the franchise, at the election of Franchisor.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Townhouse Franchising LLC is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

IN WITNESS WHEREOF, the Developer and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on this _____ day of _____, 20____.

DEVELOPER

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT D-1

LIST OF FRANCHISEES AS OF DECEMBER 31, 2025

| Contact | Franchisee | Salon Address | Suite No. | City | State | Zip Code | Salon Phone | ADA* |
|---------|------------|---------------|-----------|------|-------|----------|-------------|------|
| N/A | | | | | | | | |

EXHIBIT D2

FRANCHISEES WHO LEFT SYSTEM DURING LAST FISCAL YEAR

| Former Salon State | Former Franchisee | Primary Contact | Phone |
|--------------------|-------------------|-----------------|-------|
| N/A | | | |

EXHIBIT D3

LIST OF FRANCHISES SOLD BUT NOT YET OPENED AS OF DECEMBER 31, 2025

| Salon Territory | Salon State | Franchisee | Primary Contact | Phone | ADA* |
|-----------------|-------------|------------|-----------------|-------|------|
| N/A | | | | | |

**Indicates the Franchisee (or its affiliate) is a party to an Area Development Agreement.*

EXHIBIT E
FINANCIAL STATEMENTS OF
TOWNHOUSE FRANCHISING, LLC

Report of Independent Auditors and
Financial Statements

Townhouse Franchising, LLC

December 31, 2025



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Report of Independent Auditors

The Member
Townhouse Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Townhouse Franchising, LLC, which comprise the balance sheet as of December 31, 2025, and the related statements of operations and member's equity, and cash flows for the period from April 29, 2025 (inception) through December 31, 2025, 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 Townhouse Franchising, LLC, as of December 31, 2025, and the results of its operations and its cash flows for the period from April 29, 2025 (inception) through December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Townhouse Franchising, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Townhouse Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 Townhouse Franchising, 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 Townhouse Franchising, 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.

Baker Tilly US, LLP

Los Angeles, California

January 21, 2026

Financial Statements

Townhouse Franchising, LLC
Balance Sheet
December 31, 2025

ASSETS

CURRENT ASSETS

Cash

\$ 58,619

Total assets

58,619

LIABILITIES AND MEMBER'S EQUITY

MEMBER'S EQUITY

58,619

Total member's equity

\$ 58,619

See accompanying notes.

Townhouse Franchising, LLC
Statement of Operations and Member's Equity
Period from April 29, 2025 (inception) to December 31, 2025

| | |
|----------------------------|-------------------------|
| REVENUES | <u>\$ -</u> |
| OPERATING EXPENSES | |
| General and administrative | <u>41,381</u> |
| NET LOSS | <u><u>\$ 41,381</u></u> |
| MEMBER'S EQUITY | |
| April 29, 2025 (inception) | <u>\$ -</u> |
| Contribution from Member | <u>100,000</u> |
| December 31, 2025 | <u><u>\$ 58,619</u></u> |

See accompanying notes.

Townhouse Franchising, LLC
Statement of Cash Flows
Period from April 29, 2025 (inception) to December 31, 2025

| | |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Net loss | \$ (41,381) |
| Net cash used in operating activities | <u>(41,381)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Member contribution | 100,000 |
| Net cash provided by financing activities | <u>100,000</u> |
| NET CHANGE IN CASH | 58,619 |
| CASH, April 29, 2025 (inception) | <u>-</u> |
| CASH, December 31, 2025 | <u><u>\$ 58,619</u></u> |

See accompanying notes.

Townhouse Franchising, LLC

Notes to Financial Statements

Note 1 – Organization and Description of Business

Townhouse Franchising, LLC (the Company), a Delaware limited liability company (LLC), was formed on April 29, 2025 (inception) for the purpose of operating the U.S. franchise operations of Townhouse Nail Salons (Townhouse). The sole Member of the Company is Townhouse Holdings US, LLC (the Member), whose ultimate parent is Townhouse Group Ltd. (the Ultimate Parent), a UK based Company. The Ultimate Parent is the owner of all intellectual property rights in certain systems, trademarks, service marks, and other intellectual property used in the operation of Townhouse nail salons (the Townhouse IP). The Company will franchise the Townhouse concept through a perpetual, royalty free license agreement which grants the Company a non-exclusive right to use the Townhouse IP and to license the Townhouse IP to franchisees under franchise agreements.

The Company's Member and Ultimate Parent are in the business of operating modern nail salons focused on delivering high-quality, luxury nail care services. The Company does not operate and has never operated any Townhouse locations, and the Company's future operations are dependent upon the success of its affiliate's operations. The franchise agreements are typically for 10 years and will require an initial franchise fee of \$25,000 to \$40,000. Once the franchise begins operations, the Company will charge a royalty fee of up to 7% of the franchise's gross sales and a marketing fee of up to 2% of gross sales. As of December 31, 2025, the Company had not sold rights to develop any franchises.

The Member transferred \$100,000 in cash to fund operations on October 31, 2025, of which the entire balance was considered an equity contribution. The Company has relied on resources from its Member and Ultimate Parent to support initial operations and the Member and Ultimate Parent have committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of December 31, 2025.

Use of estimates – The preparation of the financial statements, in accordance with U.S. GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of December 31, 2025, the Company carried no cash equivalents.

Concentration of credit risk – Financial instruments, which may potentially be subject to a concentration of credit risk, consist of cash. The Company maintains substantially all of the day-to-day operating cash balances with a major financial institution. The cash balance is not in excess of Federal Depository Insurance Corporation insurance limits. The Company has experienced no loss or lack of access to cash in its operating account.

Townhouse Franchising, LLC

Notes to Financial Statements

Fair value measurements – The Company’s financial instruments, none of which are held for trading purposes, include only cash. Management estimates that the fair value of all financial instruments at December 31, 2025, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company’s taxable income or loss is reportable by the Member on its income tax return. Accordingly, no taxes payable of deferred tax assets or liabilities are reflected in these financial statements.

General and administrative – General and administrative expenses consist primarily of bank fees and professional services.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through January 21, 2026, which is the date these financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Member’s Equity

The Company’s LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company’s Member is limited to their specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

EXHIBIT F

STATE AGENCIES AND AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|-------------------|---|--|
| CALIFORNIA | Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104 (415) 972-8559 (866) 275-2677 | Commissioner of Department of Financial Protection and Innovation 320 West 4 th Street, Suite 750 Los Angeles, CA 90013-2344 (866) 275-2677 |
| FLORIDA | Dept. of Agriculture & Consumer Services Division of Consumer Services Mayo Building, Second Floor Tallahassee, FL 32399-0900 (850) 245-6000 | Same |
| HAWAII | Dept. of Commerce & Consumer Affairs Business Registration Division Commissioner of Securities 335 Merchant Street, Room 203 Honolulu, HI 96813 (808) 586-2722 | Commissioner of Securities of the State of Hawaii Dept. of Commerce & Consumer Affairs Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, HI 96813 |
| ILLINOIS | Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465 | Illinois Attorney General Same Address |
| INDIANA | Securities Commissioner Indiana Securities Division 302 West Washington Street, Room E 111 Indianapolis, IN 46204 (317) 232-6681 | Indiana Secretary of State 302 West Washington Street, Room E 018 Indianapolis, IN 46204 (317) 232-6531 |
| KENTUCKY | Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 (502) 696-5389 | Same |
| MARYLAND | Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360 | Maryland Securities Commissioner Same Address |
| MICHIGAN | Michigan Dept. of Attorney General Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street G. Mennen Williams Bldg., 1 st Floor Lansing, MI 48913 (517) 373-7117 | Michigan Dept. of Attorney General Same |

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|---------------------|---|--|
| MINNESOTA | Minnesota Dept. of Commerce 85 7 th Place East, Suite 280 St. Paul, MN 55101-2198 (651) 539-1600 | Minnesota Commissioner of Commerce Same Address |
| NEBRASKA | Dept. of Banking & Finance Bureau of Securities/Financial Institutions Division 1526 K Street, Suite 300 Lincoln, NE 68505-2732 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-2171 | Same |
| NEW YORK | New York State Dept. of Law Investor Protection Bureau 28 Liberty Street, 21 st Floor New York, NY 10005 Phone: (212) 416-8236 Fax: (212) 416-6042 | New York Secretary of State New York Dept. of State One Commerce Plaza 99 Washington Avenue, 6 th Floor Albany, NY 12231-0001 (518) 473-2492 |
| NORTH DAKOTA | North Dakota Insurance & Securities Dept. 600 East Boulevard Avenue, Dept. 401 Bismarck, ND 58505 Phone: (701) 328-2910 | North Dakota Insurance Commissioner Same Address |
| RHODE ISLAND | Dept. of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex – Bldg. 68-2 Cranston, RI 02920 (401) 222-3048 | Director, Dept. of Business Regulation, Securities Division Same Address |
| SOUTH DAKOTA | Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, SD 57501 (605) 773-3563 | Director of the Department of Labor and Regulation Division of Insurance – Securities Regulation Same Address |
| TEXAS | Secretary of State Statutory Documents Section P.O. Box 12887 Austin, TX 78711-2887 (512) 475-1769 | Same |
| UTAH | Utah Dept. of Commerce Consumer Protection Division 160 East 300 South (P.O. Box 45804) Salt Lake City, UT 84145-0804 Phone: (801) 530-6601 Fax: (801) 530-6001 | Same |

| STATE | STATE ADMINISTRATOR | AGENT FOR SERVICE OF PROCESS |
|-------------------|---|--|
| VIRGINIA | State Corporation Commission Div. of Securities & Retail Franchising 1300 E. Main Street, 9 th Floor Richmond, VA 23219 (804) 371-9051 | Clerk, State Corporation Commission 1300 E. Main Street, 1 st Floor Richmond, VA 23219-3630 (804) 371-9672 |
| WASHINGTON | Dept. of Financial Institutions Securities Division 150 Israel Rd S.W. Tumwater, WA 98501 (360) 902-8760 | Director, Dept. of Financial Institutions Securities Division Same Address |
| WISCONSIN | Dept. of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705 (608) 266-3431 | Wisconsin Commissioner of Securities Same Address |

EXHIBIT G
SAMPLE RELEASE

The following is our current form of general release agreement that we may require a franchisee and/or transferor to sign as part of a transaction involving a successor franchise or an approved transfer. We may, in our sole discretion, periodically modify our form of the release agreement.

General Release

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- Townhouse Franchising, LLC a Delaware limited liability company whose principal business address is 611 South Dupont Highway Suite 102, Dover, Delaware 1990190211 (“**Franchisor**”); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____ [(“**Franchisee**”)] [(“**Transferor**”)].

BACKGROUND:

A. Franchisor and Franchisee are party to a [**Franchise Agreement**] dated _____ (the “**Agreement**”);

B. Franchisor and Franchisee have agreed, under the Agreement, [to execute a successor franchise agreement or extend Franchisee’s rights under the Franchise Agreement (the “**Successor Transaction**”)] [to permit a transfer or assignment of _____ under the Agreement (the “**Transfer Transaction**”)], and, in connection with the [Successor Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Successor Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. Release. [Franchisee] [Transferor], its officers and directors and Principals, and their respective agents, heirs, administrators, successors and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors and assigns (the “**Franchisor Group**”) from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which [Franchisee] [Transferor] and/or its Principals had, have or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Agreement, the relationship created by the Agreement, or the development, ownership or operation of the Townhouse Salon Business. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense or damages (actual or consequential) including, without limitation, reasonable attorneys’, accountants’ and expert witness fees, costs of investigation and proof of facts, court costs and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor or other third party now has, ever had, or hereafter would or could have, as a result of, arising from or relating to the Agreement or the Townhouse Salon Business. The Franchisee Group and

its Principals represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements or promises described herein.

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5 Notwithstanding any provisions in the Agreement requiring that certain claims or actions are subject to mediation and/or arbitration, the parties agree that any action under, arising out of, or related to, this Release, brought by either party against the other shall be brought in court, and not in a mediation or arbitration proceeding, and such action in any court, whether in federal or state court, shall be brought within the judicial district in which Franchisor has its principal place of business at the time the action is initiated, except that Franchisee may bring its legal action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law and regulations promulgated thereunder, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of Maryland. In the event of any conflict of law, the laws of the State of Maryland shall prevail (without regard to, and without giving effect to, the application of Maryland conflict of law rules).

[For Minnesota Franchisees: In Section 2.5, replace the words "Maryland Franchise Registration and Disclosure Law" with Minnesota Franchise Law.]

[For Washington Franchisees: In Section 2.5, replace the words "Maryland Franchise Registration and Disclosure Law" with Washington Franchise Investment Protection Act.]

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

3. *[For California franchisees, add this paragraph]:* Each of the Franchisee Related Parties expressly waives and relinquishes all rights and benefits which either may now have or in the future have under and by virtue of California Civil Code Section 1542. The parties do so understanding the significance and consequence of such specific waiver. Section 1542 provides that "[a] general release

does not extend to claims that the creditor or releasing party does not know or suspect exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.” For the purpose of implementing a general release and discharge as described in Section 1. above, the parties expressly acknowledge that this Agreement is intended to include in its effect, without limitation, all claims described in Section 1. above which the parties do not know or suspect to exist in their favor at the time of execution hereof, and that this Agreement contemplates the extinguishment of any such claims.

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

Townhouse Franchising, LLC
Franchisor

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT H
FRANCHISEE COMPLIANCE CERTIFICATION

TOWNHOUSE FRANCHISING, LLC
FRANCHISEE COMPLIANCE CERTIFICATION

As you know, Townhouse Franchising, LLC (the “**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a “Townhouse” franchised salon (the “**Salon**”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Another goal in asking you these questions is to be confident that you are prepared to become a Townhouse Salon franchisee, that you understand the risks of owning your own business, and that we have complied with our obligations in providing you with the information required by law. We may, in lieu of requesting that you review and sign this Certification, review these questions with you during our pre-closing meeting, and may take notes of your verbal responses for our records.

Please do not sign this form if you are a California resident or if the franchised business will be located in California.

Please do not sign if the franchisee is a Maryland resident or if the franchised business will be located within the State of Maryland.

1. The following dates and information are true and correct:

- a. _____, 20__ The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a Townhouse Salon business.
Initials _____

- b. _____, 20__ The date on which I received the Franchisor’s Franchise Disclosure Document (“**FDD**”).
Initials _____

- c. _____, 20__ The date when I received a fully completed copy (other than signatures) of the Franchise Agreement and Addenda (if any) and all other documents I later signed.
Initials _____

- d. _____, 20__ The date on which I signed the Franchise Agreement.
Initials _____

2. Have you received and personally reviewed the Franchise Agreement, Area Development Agreement and each Addendum and related agreement attached to them?
Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, Area Development Agreement, each Addendum and related agreement provided to you?
Yes _____ No _____

If no, what parts of the Franchise Agreement, Area Development Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement and Development Agreement contain a number of provisions that may affect your legal rights, including required mediation, designated locations or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Have you discussed with an attorney, accountant, or other professional advisor the benefits and risks of establishing and operating a Salon as a franchised business?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your franchised Salon will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

10. Has anyone speaking on the Franchisor's behalf made any statement or promise to you concerning the revenues, profits or operating costs of a Townhouse Salon operated by the Franchisor or its franchisees that is different from the information contained in the FDD?

Yes _____ No _____

11. Has anyone speaking on the Franchisor's behalf made any statement or promise to you about the amount of money you may earn in operating the Salon that is different from the information contained in the FDD?
Yes _____ No _____
12. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the total amount of revenue your Salon will or may generate that is different from the information contained in the FDD?
Yes _____ No _____
13. Has anyone speaking on the Franchisor's behalf made any statement or promise regarding the costs you may incur in operating your Salon that is different from the information contained in the FDD?
Yes _____ No _____
14. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Salon as a franchised business?
Yes _____ No _____
15. Has anyone speaking on the Franchisor's behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance the Franchisor will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?
Yes _____ No _____
16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?
Yes _____ No _____
17. Have you paid any money to the Franchisor concerning the purchase of this franchise before today?
Yes _____ No _____
18. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?
Yes _____ No _____

19. Do you understand that the Franchise Agreement and Area Development Agreement contain the entire agreement between you and the Franchisor concerning the franchise and development rights for the Salon, meaning that any prior oral or written statements not set out in the Franchise Agreement and Area Development Agreement will not be binding?

Yes _____ No _____

20. If you have answered “Yes” to any of questions 10-17, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered “no” to each of questions 10-17, then please leave the following lines blank.

21. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee or developer will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) Franchisor and Franchisor’s affiliates will have no control, or right to control, any of the employment actions or decisions in your business? *We recommend that you retain employment law counsel to advise you with your employment issues and questions.*

Yes _____ No _____

22. As you have reviewed the financial performance representations in Item 19 of the Disclosure Document, do you understand that:

a. Item 19 contains only historical data from certain franchised and affiliate-owned Salons, and are not a promise, assurance or guaranty of future results of your franchised Salon;

b. your results are likely to differ from the historical results reported;

c. your results as a start-up business and Salon are likely to be different than existing Salons; and

d. you have had ample opportunity to review Item 19 with a lawyer, accountant and/or other advisor of your choosing.

Yes _____ No _____

23. Do you understand that:

- a. this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak?
- b. such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for Salons, and may require that we take actions that might not be contemplated under the Franchise Agreement?
- c. the extent to which any such disruption impacts the Townhouse system, and your franchise business, will depend on future developments which are highly uncertain and which we cannot predict?

Yes _____ No _____

24. I signed the Franchise Agreement, Area Development Agreement, and Addenda (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

25. During my negotiations and evaluations leading up to my decision to buy a Townhouse franchise, I communicated with the following individuals from Townhouse or its affiliates, or independent brokers:

| <u>Name</u> | <u>Address</u> |
|-------------|----------------|
|-------------|----------------|

- 1. _____
- 2. _____
- 3. _____
- 4. _____

[Insert additional names and addresses below if needed]

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.

Townhouse Franchising, LLC

January 2026 FDD

Ex. H – Franchisee Compliance Certification

H-5

80393678v910

FRANCHISE APPLICANT

Signed

Printed Name

, 20__

EXHIBIT I

STATE EFFECTIVE DATES

State Effective Dates

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

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

| State | Effective Date |
|--------------|-----------------------|
| California | _____, 2026 |
| Florida | January 28, 2026 |
| Hawaii | _____, 2026 |
| Illinois | _____, 2026 |
| Indiana | January 29, 2026 |
| Maryland | _____, 2026 |
| Michigan | _____, 2026 |
| Minnesota | _____, 2026 |
| New York | _____, 2026 |
| North Dakota | _____, 2026 |
| Rhode Island | February 5, 2026 |
| South Dakota | _____, 2026 |
| Virginia | _____, 2026 |
| Washington | _____, 2026 |
| Wisconsin | January 28, 2026 |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT J

RECEIPTS

**RECEIPT
(YOUR COPY)**

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

If Townhouse Franchising, 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, or sooner if required by applicable state law. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Townhouse Franchising, LLC, does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified on Exhibit F.

The franchisor is Townhouse Franchising, LLC, 611 South Dupont Highway Suite 102, Dover, Delaware 19901, (302) 546-5188. The franchise seller for this offering is:

| | | |
|--|--|--|
| <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ | <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ | <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ |
|--|--|--|

Issuance Date: January 28, 2026.

See Exhibit F for our registered agents authorized to receive service of process.

I have received a Disclosure Document dated January 28, 2026, that included the following Exhibits:

- | | |
|---|--|
| Exhibit A - State Addenda and Agreement Riders | Exhibit F - State Agencies and Agents for Service of Process |
| Exhibit B - Franchise Agreement and Exhibits | Exhibit G - Sample Release of Claim |
| Exhibit C - Area Development Agreement and Exhibits | Exhibit H - Franchisee Compliance Certification |
| Exhibit D1 - List of Franchisees | Exhibit I - State Effective Dates |
| Exhibit D2 - Franchisees Who Left the System | Exhibit J - Receipts |
| Exhibit D3 - Franchises Sold But Not Yet Opened | |
| Exhibit E - Financial Statements | |

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Signature: _____

Title: _____

Print Name: _____

Dated: _____
(Do not leave blank)

If an individual:

Print Name: _____

Dated: _____
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and keep it for your records.

**RECEIPT
(OUR COPY)**

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

If Townhouse Franchising, 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, or sooner if required by applicable state law. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Under Michigan law, we must give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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The franchisor is Townhouse Franchising, LLC, 611 South Dupont Highway Suite 102, Dover, Delaware 19901, (302) 546-5188. The franchise seller for this offering is:

| | | |
|--|--|--|
| <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ | <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ | <input type="checkbox"/> Name of Franchised Seller: _____ Principal Business Address: _____ |
|--|--|--|

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| Exhibit E - Financial Statements | |

PROSPECTIVE FRANCHISEE:

If a business entity:

Name of Business Entity

Signature: _____

Title: _____

Print Name: _____

Dated: _____
(Do not leave blank)

If an individual:

Print Name: _____

Dated: _____
(Do not leave blank)

Please sign this copy of the receipt, print the date on which you received this Disclosure Document, and return it, by mail to Townhouse Franchising, LLC, 611 South Dupont Highway Suite 102, Dover, Delaware 19901