

FRANCHISE DISCLOSURE DOCUMENT



J 'N C Real Estate Development, LLC,
a Texas limited liability company
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We offer qualified individuals and entities a franchise for the right to independently own and operate a business that provides high-end retail space to beauty and wellness practitioners to provide their respective services utilizing the mark SALONS BY JC and our proprietary business system (each a “Franchised Business” or “Facility”). We also offer qualified parties the right to own and operate multiple Franchised Businesses within a development area. The total investment necessary to begin operation under a development agreement depends on the number of Franchised Businesses we grant you the right to open.

The total investment necessary to begin operation of a single Salons by JC franchise ranges from \$464,600 to \$903,600. This includes \$45,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all 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 Steve Griffey at 11703 Huebner Road, Suite 202, San Antonio, TX 78230 and (210) 391-3286.

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

Issue Date: December 10, 2012.

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state. REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A for information about the franchisor or about franchising in your state.

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES. YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS. BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW.

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE DISPUTES WITH US BY MEDIATION (AT OUR OPTION) OR LITIGATION ONLY IN TEXAS. OUT OF STATE MEDIATION/LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE AND/OR LITIGATE WITH US IN TEXAS THAN IN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT AND AREA DEVELOPMENT AGREEMENT REQUIRE THAT TEXAS LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. IF YOU ARE AN INDIVIDUAL, YOUR SPOUSE MUST SIGN A PERSONAL GUARANTY. IF THE FRANCHISEE IS A BUSINESS ENTITY, THEN EACH OF THE ENTITY'S OWNERS AND THEIR RESPECTIVE SPOUSES MUST SIGN A PERSONAL GUARANTY. ALL PERSONS THAT SIGN A PERSONAL GUARANTY MUST PERSONALLY GUARANTEE, AND BE PERSONALLY BOUND BY, EACH OF THE FRANCHISEE'S OBLIGATIONS UNDER THE FRANCHISE AGREEMENT AND, IF APPLICABLE, AREA DEVELOPMENT AGREEMENT. THOSE SIGNING THE PERSONAL GUARANTY WILL ALSO PUT THEIR PERSONAL ASSETS AT RISK.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should make sure to do your own investigation of the franchise.

STATE EFFECTIVE PAGE

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state:

State	Effective Date
California	Not Registered
Florida (exemption)	Not Registered
Hawaii	Not Registered
Illinois	Not Registered
Indiana	Not Registered
Kentucky	Not Registered
Maryland	Not Registered
Michigan	Not Registered
Minnesota	Not Registered
Nebraska	Not Registered
New York	Not Registered
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Texas	Effective
Utah (exemption)	Not Registered
Virginia	Not Registered
Washington	Not Registered
Wisconsin	Not Registered

The effective date of this Disclosure Document in all other states is the Issue Date of December 10, 2012.

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Exhibits:

- A. List of State Franchise Administrators/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement (and Exhibits)
- D. Financial Statements
- E. State Specific Addenda
- F. List of Franchisees and Franchisees That Left Our System in the Past Fiscal Year or That Have Not Communicated to Us in the 10 Weeks Prior to the Issue Date of this Disclosure Document
- G. Operations Manual Table of Contents
- H. Sample Termination and Release Agreement
- I. Franchisee Questionnaire/Compliance Certification
- J. Receipts

ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language of this Disclosure Document, the Franchisor is referred to in this Disclosure Document as “we,” “us” or “our.” We refer to the person interested in buying the franchise as “franchisee,” “you” or “your.” If you are a corporation, partnership, limited liability company or other entity, the terms “franchisee,” “you” and “your” also refer to your owners.

The Franchisor

We were organized under the laws of Texas as a limited liability company on January 23, 2008. Our principal business address is at 11703 Huebner Road, Suite 202, San Antonio, Texas 78230, and our telephone number is (210) 391-3286. We only do business under our corporate name and our proprietary marks, including the mark SALONS BY JC.

We grant franchises for the right to independently own and operate businesses that provide and lease retail space to beauty and wellness practitioners where they can perform their respective services (each, a “Franchised Business” or “Facility”). These Franchised Businesses operate under the mark SALONS BY JC and any other proprietary marks we designate (the “Proprietary Marks”), and also operate utilizing our proprietary business system described more fully below. We first began offering franchises for the right to operate a Franchised Business around March 2011. We have not operated any businesses that are similar to the Franchised Business. We do not sell franchises in any other line of business, and are not otherwise engaged in any other business activity.

Our agents for service of process are listed in Exhibit A to this Disclosure Document.

Our Predecessors and Affiliates

We do not have any parents or predecessors.

Our affiliate, J ‘N C Investments, LLC, is a Texas limited liability company organized on December 18, 1997, and has its principal place of business at 7602 Campbell Road, Dallas, Texas 75248 (the “Affiliate”). Since 1998, our Affiliate has operated a business similar to the Franchised Business under the Proprietary Marks in North Dallas, Texas. As of the Issue Date of this Disclosure Document, our Affiliate operates a total of seven Facilities in various locations in Texas, namely the Dallas, Arlington and San Antonio areas.

Our affiliate only does business under its corporate name and the Proprietary Marks. It does not offer franchises in any line of business and, except as described in this Item, is not otherwise engaged in any other type of business activity.

The Franchises Offered

Your Franchised Business will provide turn-key, high-end salon studio space located within your Facility to health and wellness practitioners where they can perform their respective services to their clientele. Your Franchised Business will be operated using our Proprietary Marks and in accordance with our proprietary operating system, which includes our valuable know how, information, trade secrets, methods, confidential Operations Manual and other proprietary manuals we may loan to you (collectively, the “Manuals”), standards and specifications, marketing and sales programs, fixture and furniture selection, staffing guidelines and other research and development connected with the establishment and operation of

a Facility (collectively, the “System”), which we may modify from time to time as we deem appropriate in our sole discretion.

Your Franchised Business will have between approximately 5,000 to 10,000 square feet of leased or owned space, and will typically be located in regional shopping centers or other commercial business areas. In order to own and operate a Franchised Business, you must enter into our current form of franchise agreement that is attached as Exhibit B to this Disclosure Document (the “Franchise Agreement”). If the franchisee is a business entity (for example, a corporation, partnership or limited liability company), then all of the individuals that have any type of ownership interest in the franchisee entity, as well as their spouses, must sign our form of personal guaranty (attached as an Exhibit to the Franchise Agreement) wherein each owner agrees to be personally bound by, and personally guarantee the entity’s obligations under, all terms of the Franchise Agreement (the “Personal Guaranty”).

You may only offer, sell and provide those products and services that we authorize (the “Approved Products and Services”) at your Franchised Business, which currently include (but are not limited to) basic leasing services, Internet access and vending services (snack items and laundry). You will lease portions of your Facility space to third parties pursuant to a form of commercial lease agreement that you must ensure complies with all applicable laws where your Franchised Business is located. Your tenants are solely responsible for scheduling their own appointments and generating their own clientele. Once we agree on the location of your Franchised Business (the “Premises”), we will designate a geographical area around the Premises wherein we will not own or operate, or license a third party the right to own or operate, a Facility that utilizes the Proprietary Marks and System (your “Designated Territory”). Please see Item 12 of this Disclosure Document for additional information.

We also offer qualified individuals and entities the right to open and operate three or more Franchised Businesses within a designated geographical area (the “Development Area”) under our current form of area development agreement that is attached to this Disclosure Document as Exhibit C (the “Development Agreement”), which will also set forth a schedule or defined period of time in which you must open and commence operating each Franchised Business (a “Development Schedule”). You will not be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement, but you will eventually need to sign our then-current form of franchise agreement for each of the Franchised Businesses you open pursuant to the Development Schedule. Typically, you will not execute a franchise agreement for any Franchised Business you open under your Development Agreement until after you have found a Premises for that Franchised Business within your Development Area.

As disclosed more fully in Item 5, you will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we grant you the right to open under the Development Agreement (the “Development Fee”), but you will not be required to pay any other initial franchise fee at the time you execute your franchise agreements for each Franchised Business we permit you to open under the Development Agreement.

Market and Competition

The “salon suite” industry is a form of retail real estate development and management. You will enter into a lease for a Premises that we approve and then build-out that location into individual “suites” that can be sub-leased to third parties that provide personal care and other salon and wellness services to clientele.

The leasing services and other Approved Products and Services provided at your Franchised Business are not seasonal in nature. We believe that the market for salon studio rental businesses is a fairly new

concept that is only moderately developed and competitive. With that said, the market for general commercial leasing is well-developed, and you may face competition from other businesses including franchised operations, national chains and independently owned businesses that offer similar leasing and salon management services to third-party beauty and wellness practitioners.

Your competitive advantage in the marketplace will be based on your adherence to our System standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service.

Industry-Specific Regulations

Most states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business, including those that: (i) establish general standards, specifications and requirements for the construction, design and maintenance of the business premises; (ii) regulate matters affecting the health, safety and welfare of your customers, such as restrictions on smoking; (iii) set standards pertaining to employee health and safety; (iv) regulate matters affecting requirements for accommodating disabled persons, including the Americans with Disabilities Act; (v) set standards and requirements for fire safety and general emergency preparedness; and (vi) regulate, or otherwise relate to or govern, the operation of a business that leases/subleases space to third parties and/or the operation of a salon generally (businesses providing hair, nail, massage or other beauty or wellness-related services), including those that may require you to obtain certain permits, certificates, licenses or approvals to provide the Approved Products and Services at your Franchised Business.

While we have not received formal legal opinions on this issue, it is our understanding that the leasing of individual salon suites from a Facility may be prohibited under the cosmetology law/act of Pennsylvania and certain other states that expressly prohibit “booth space rental” and characterize such leasing activity as “booth space rental”. You must consult with your own attorney to ensure that the laws of the state where your Franchised Business is located permits you to provide the Approved Products and Services from your Facility.

It is your sole responsibility to investigate any regulations in your area, including those related to the rental of any space by your Franchised Business at your Premises and those related to the establishment and operation of a business generally.

Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your Franchised Business.

ITEM 2 BUSINESS EXPERIENCE

Co-Owner and Vice President: Jack Griffey

Jack Griffey has served as a Vice President of our company since our inception in 2008. Jack has also been a co-owner and Vice President of our Affiliate since its inception in 1997, which currently operates six Facilities in the areas of Dallas, Arlington and San Antonio, Texas.

Co-Owner/Partner: Cecil Miller

Cecil Miller has served as a Vice President of our company since our inception in 2008. Cecil has also been a co-owner and Vice President of our Affiliate since its inception in 1997, which currently operates six Facilities in the areas of Dallas, Arlington and San Antonio, Texas.

President: Steve Griffey

Steve Griffey has served as our President since our inception in 2008. Since 1997, Steve has also been a co-owner and President of our Affiliate since its inception in 1997, which currently operates six Facilities in the areas of Dallas, Arlington and San Antonio, Texas.

**ITEM 3
LITIGATION**

No litigation must be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

No bankruptcy information must be disclosed in this Item.

**ITEM 5
INITIAL FEES**

Franchise Agreement: Initial Franchise Fee

You must pay us an initial franchise fee amounting to \$45,000 (the "Initial Franchise Fee") upon execution of your Franchise Agreement, which covers the franchise license to operate your Franchised Business within your Designated Territory and the tuition fees associated with you and up to one additional person attending our proprietary initial training program. Your Initial Franchise Fee is deemed fully earned upon payment, and is not refundable under any circumstances. Except as provided in this Item, the Initial Franchise Fee is applied uniformly to all of our franchisees.

Development Agreement: Development Fee

If we grant you the right to open three or more Franchised Businesses pursuant to a Development Agreement, you must pay us a one-time Development Fee upon executing your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Development Area, and can be calculated as follows: (i) \$100,000 for the right to open three Franchised Businesses, plus an additional \$33,333 for the right to open each additional Franchised Business (up to a total of five); (ii) \$30,000 per Franchised Business if you agree to open and operate between six and nine Franchised Businesses; and (iii) \$25,000 per Franchised Business if you agree to open and operate 10 or more Franchised Businesses.

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

Your Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our

franchisees.

**ITEM 6
OTHER FEES**

Name of Fee	Amount	Due Date	Remarks
Royalty Fee	The greater of: (i) 5.5% of the Gross Sales of your Franchised Business (“Royalty Fee”); or (ii) a minimum royalty payment of \$500 per month (the “Minimum Royalty”).	On Tuesday of each week based on the Gross Sales generated by the Franchised Business during the preceding Business Week (Monday through Sunday).	<p>Your Royalty Fee will begin once your Franchised Business opens.</p> <p>If your Royalty Fees paid in any given month are less than the Minimum Royalty, then you must pay us the difference on or before the 5th of the following calendar month. We will waive the minimum Royalty Fee for the first 90 days you are in operation.</p> <p>We may require you to pay your Royalty Fee and other reoccurring amounts via electronic funds transfer “(EFT)”. See Notes 1, 2 and 3.</p>
Local Advertising Requirement	Minimum of: (i) \$1,000 per month; or (ii) \$12,000 in cumulative spending over 12 months.	As incurred	All advertising materials must be approved by us prior to use/publication. We may require you to provide us with monthly reports detailing your local advertising expenditures.
System-Wide Advertising/Marketing Fund (“the Fund”)	Up to 1% of the Gross Sales of your Franchised Business (your “Fund Contribution”)	Same interval and manner as your weekly Royalty Fee.	We have not currently established a Fund designed to promote, market and advertise our brand, Proprietary Marks and System, but we reserve the right to do so in the future. See Item 11 for additional information. If established, we may collect your Fund Contribution in the same manner as we collect your Royalty Fee. See Notes 1, 2 and 3.
Audit Fees	Actual cost of Audit.	Upon billing after audit.	<p>Payable if audit reveals that you have underreported the Gross Sales of your Franchised Business by 2% or more for any designated reporting period.</p> <p>See Note 4.</p>

Name of Fee	Amount	Due Date	Remarks
Renewal Fee	\$10,000	90 days prior to renewal.	There are other conditions that you must meet in order for us to approve your renewal request.
Transfer Fee/Training Fee (both Franchise Agreement and Development Agreement)	\$10,000 transfer fee plus \$1,000 training fee (2 persons, 1 week)	Payable prior to obtaining our consent to your proposed transfer.	There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment.
Evaluation Fee of Prospectus of other Written Offering to Secure Funds (under Development Agreement only)	\$3,500	Prior to our review of your prospectus or other written offering	Payable if you wish to raise or secure funds by the sale of securities in your Developer entity (under our form of Development Agreement). Your payment does not guarantee that we will approve your request to raise or secure funds by selling securities in your Developer entity.
Refresher Training Fee	\$1,000 training fee (1 person, 1 week)	30 days before the expiration of the then-current term of your Franchise Agreement.	We may condition our approval of your request to renew your Franchise Agreement on your completion of our then-current refresher training course(s) that are designed to instruct you on our then-current System standards and specifications. See Item 11 for additional information.
Initial Training	\$1,000 for each additional person.	When training begins.	We will provide our Initial Training Program for up to two individuals tuition-free. You will need to pay \$1,000 any: (i) additional person; (ii) person that fails to complete the program and is required to re-attend; or (iii) any replacement personnel that is required to attend our Initial Training Program (such as your Facility Manager). See Item 11 for additional information.

Name of Fee	Amount	Due Date	Remarks
Operating and Special Assistance	Our then-current special assistance fee (“Special Assistance Fee”) Currently, \$300 per day	As incurred.	In addition to our then-current Special Assistance Fee, you must reimburse us for any expenses we incur in providing on-site or other special assistance to you or your personnel. This fee will not be charged in connection with minor, day-to-day assistance that we provide over the phone or via email, subject to our availability.
Collection Charges	Varies	Upon demand.	You must pay all collection charges associated with our efforts in collecting any amounts owed to you or us under the Franchise Agreement.
Fees on Default and Indemnity	Attorneys’ fees, costs, interest, audit costs, default fees.	Upon demand.	Payable in addition to other payments to us.
Late Reporting Fees	\$10 per day, starting the 11 th day after a report is due to us.	Upon demand.	Payable in addition to other payments to us.
Costs and Attorneys’ Fees	Will vary according to circumstance.	Upon demand.	You must reimburse of for our attorneys’ fees and any court costs that we are forced to incur in connection with enforcing or protecting our rights under your Franchise and/or Development Agreement.
Indemnification	Will vary according to circumstance.	Upon demand.	You must reimburse us for our attorneys’ fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your Franchised Business.
Insurance	Will vary according to circumstance.	Upon demand.	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you a service fee to do so. Otherwise, these payments are made directly to you third-party insurance provider.
Interest	1.5% per month	Upon demand.	Payable on all delinquent payments due to us for more than 30 days. See Note 5.

Name of Fee	Amount	Due Date	Remarks
Dishonored Check Charge	\$100	Upon demand.	Payable if a check you provide to us is returned or dishonored by the bank, or if your EFT Account does not have sufficient funds to cover amounts you owe under the Franchise Agreement as they become due and owing to us.
Relocation Fee	\$2,000 if you decide to relocate your franchised business	When you submit a letter requesting consideration of a new location.	Payable to us to defray our costs associated with evaluating and approving/rejecting your relocation proposal.

Explanatory Notes

Generally. Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees set forth in the Chart above apply to the Franchise Agreement only (and not the Development Agreement).

1. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to your Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
2. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a monthly rather than weekly basis. Regardless, you are required to provide us with a weekly Gross Sales report detailing your Gross Sales from the preceding Business Week, along with your calculated Royalty Fee, Fund Contribution (if appropriate) and other information that we reasonably require (the “Gross Sales Report”) on Monday of each week.
3. **Definition of Gross Sales.** “Gross Sales” means the total revenue generated by your Franchised Business, including all revenue generated from leasing salon suites at your Facility and all amounts paid by customers for vending, laundry and any other Approved Product or Service offered at your Facility, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange, and whether these revenues are collected or uncollected. Gross Sales does not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the Franchised Business, any sales tax or other taxes collected from customers by you and paid directly to the appropriate taxing authority, or any reduction in revenue due to coupon sales.

4. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Gross Sales by two percent (2%) or more, than we may require you to pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys).
5. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

A. Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee ¹	\$45,000	\$45,000	Lump sum	Upon execution of the Franchise Agreement	Us
Initial Training ²	\$0	\$1,000	Lump sum, if applicable	When training begins	Us
Travel and Living Expenses During Training ³	\$1,500	\$2,500	As incurred	As incurred	Airlines, hotels, and restaurants
Site Selection Assistance/Consulting	\$0	\$4,000	As agreed	As incurred	Our Approved Supplier for site selection assistance or other third-party provider
Lease, Utility and Security Deposits ⁴	\$5,000	\$20,000	As agreed	When you sign your lease or start an account with a utility company	Landlord, utility company
Insurance Premium, 3 months ⁵	\$900	\$1,500	As agreed	Prior to opening	Insurance agent or carrier
Business License and Permits ⁶	\$50	\$300	As incurred	As incurred	Government agencies
Rent, 3 months ⁷	\$15,000	\$60,000	As agreed	As agreed	Landlord
Blueprints, Plans, Permits, Architectural Fees	\$20,000	\$40,000	As agreed	As agreed	Architect, planner, city, county, or state
Leasehold Improvements ⁸	\$300,000	\$600,000	As agreed	As agreed	Third-party lessor

Type of Expenditure	Low Amount	High Amount	Method of Payment	When Due	To Whom Payment is to be Made
Signage and Graphics ⁹	\$15,000	\$20,000	As incurred	As agreed	Third-party supplier
Furniture, Fixtures and Equipment ¹⁰	\$40,000	\$75,000	As incurred	As agreed	Third-party supplier
Internet, 3 months	\$150	\$300	As agreed	As agreed	Third-party provider
Initial Inventory and Operating Supplies ¹¹	\$2,000	\$4,000	As incurred	As agreed	Third-party supplier
Initial Advertising and Grand Opening ¹²	\$10,000	\$10,000	As incurred	60 days from signing or 30 days prior to opening, whichever comes first	Third-party provider(s)
Additional Funds, 3 Months ¹³	\$10,000	\$20,000	As agreed	As incurred	Employees, utilities, suppliers and other third parties, etc.
Total Estimated Initial Investment¹⁴	\$464,600	\$903,600			

Explanatory Notes

1. The details of the Initial Franchise Fee are described in Item 5.
2. We will provide a one week initial training program at our headquarters currently San Antonio, Texas, free of charge for two trainees. If more than two trainees attend, the additional cost is \$1,000 per person. The low amount in this range assumes one or two persons will attend the initial training program, while the high estimate assumes that three persons will attend.
3. This is our estimated range of costs to cover the travel and living expenses, including airfare, lodging and meals, which you will incur when you and your employees attend the initial training program. The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. This estimate does not include any wages or salary for you or your trainees during training.
4. These are estimated amounts of lease costs and utility deposits. These amounts will vary in each market, and may be refundable (as determined by the payee).
5. This is an estimate of insurance premiums for the initial three months of business operation. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors. See Item 9 of this Disclosure Document for more details regarding insurance.

6. You are required to obtain all business licenses, permits, certificates or approvals before you start business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate.
7. You will need to rent or acquire a building for your franchise business. Rent varies considerably from market to market, and from location to location in each market. This figure estimates your rent for the Premises over the first three months of your lease, and this figure assumes that you will be leasing your Premises (rather than purchasing it). You may be able to obtain rent concessions from your landlord, but the estimate provided does not assume any type of concessions.
8. You may need to construct improvements or “build out” the Premises at which you will operate your Franchised Business. You may be able to negotiate various terms with your landlord, including paying for some of the build out costs for your space. Also, you may seek to finance some or all of your build out costs through your landlord or other financing sources. A variety of factors may affect the availability of landlord and other financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs. Your landlord may also agree to provide you with a tenant improvement credit, whereby the landlord credits some of the costs you incur in building out the Premises towards your monthly rent. The estimate set forth in this Chart does not assume any type of tenant improvement credit.
9. The cost of signage and graphics will vary from location to location depending on lease requirements, local ordinances and restrictions, store frontage, and related factors. We can provide assistance to you if needed. The final design must be submitted to us for review and approval, which will not be unreasonably withheld so long as you comply with our standards and specifications for these items.
10. You will need to purchase furniture, fixtures and equipment for the Premises that meet our specifications and are from approved or designated vendors (if we choose to designate vendors for these items). You may decide to lease the furniture and/or equipment needed rather than purchasing it with a lump sum payment. A variety of factors (such as the condition of the national and regional economy, availability of credit, number of suppliers leasing products in your area, the interest rates offered by suppliers, duration of leases offered, security requirements, and your credit history) may affect the availability of leased products, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or equipment. The amounts listed are an estimate and may vary per your location and market. The estimate assumes that you will be purchasing these items and includes your required Computer System.
11. This estimate covers various supplies you will need in your initial phase of operation. You are required to obtain these items from us or from our designated sources.
12. You are required to provide funding for grand opening advertising and a promotional program which will be approved and administered by us. Additional details can be found in Item 11 under the subheading “Advertising.”
13. You will need additional capital to support on-going expenses during the initial three months after you open your Franchised Business. The estimate includes items such as payroll, royalty,

additional advertising, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items, that may not be covered by sales revenues.

The actual expenses you incur during the start-up period will depend on factors such as how much you follow our methods and procedures, your management skills, your experience and business acumen, location of your franchise, local economic conditions and market for your product, prevailing wage rate, competition, and sales level reached during this initial period.

14. The figures in this table are only estimates. In calculating these estimates, we relied on experience of our Affiliate that currently operates seven SALONS BY JC Facilities that are similar to the Franchised Business being offered in this Disclosure Document, as well as estimates we have received from certain third-party vendors. We do not guarantee that you will not have greater start-up expenses other than these estimates or that you will not need more operating funds other than these estimates. We do not imply or guarantee that you will “break even” by any particular time. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing.

Unless otherwise noted above, expenditures are non- refundable.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT¹

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ²	\$100,000	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business ³	\$419,600 to \$858,600	See Chart A of this Item 7.		
TOTALS	\$519,600 to \$959,600	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Chart A of this Item 7). See Note 3.		

Explanatory Notes

1. All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three Franchised Businesses, as well as the initial investment to open your first Facility under your Development Schedule.

2. The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three Franchised Businesses (provided you comply with your development obligations under the Development Agreement).
3. This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for initial Franchised Business you open under your Development Agreement, most likely once you have found a Premises for the business that we approve. The range includes all the items set forth in Chart 7.A. of this Item, except for the \$45,000 Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Franchised Businesses you open pursuant to the Development Agreement). It does not include any of the costs you will incur in opening any additional Franchised Business that you are granted the right to open and operate under your Development Agreement.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Franchised Business in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Franchised Business and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products and Services

You may only market, offer, sell and provide the Approved Products and Services at your Franchised Business in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products and Services, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Franchised Business. We may update or modify this list in writing at any time.

You must not use, offer or sell any products or services in connection with your Franchised Business that do not meet our System standards and specifications, or that we have discontinued or otherwise notified you that you are no longer able to use or offer in connection with your Franchised Business. If you wish to offer any product or service in your Franchised Business other than our Approved Products and Services, or use any item in connection with your Franchised Business that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers

We have the right to require you to purchase any products or services necessary to operate your Franchised Business from a supplier that we approve or designate, which may include us or our Affiliate(s) (each, an "Approved Supplier"). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate. We may develop proprietary products for use in your Franchised Business, including private-

label products that bear our Proprietary Marks, and require you to purchase these items from us or our Affiliate(s).

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as set forth more fully in this Item. We may provide our standards and specifications for our Approved Products and Services directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as set forth more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

As of the date of this Disclosure Document: (i) neither we nor any of our Affiliates are an Approved Supplier for any items you are required to purchase in connection with your Franchised Business; and (ii) none of our officers own an interest in any of our Approved Suppliers. We reserve the right to designate us or any of our Affiliates as an Approved Supplier with respect to any item you must purchase in connection with your Franchised Business in the future.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 16% to 25% of your total costs incurred in establishing your Franchised Business, and approximately 2% to 5% of your ongoing costs to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

We also reserve the right to derive revenue from any of the purchases our System franchisees are required to make in connection with the Franchised Business. As we are a new franchise concept, be advised that neither we nor our Affiliate have generated any revenue from our franchisee's required purchases in the past fiscal year ending December 31, 2011.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Franchised Business that are not Approved Products and Services; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Franchised Business; or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved product evaluation fee when submitting your request (the "Evaluation Fee"). We do not currently charge any evaluation fee, but reserve the right to do so in the future. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 30 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. However, our failure to send you written notice by the end of 30 days signifies that we disapprove of the proposed item and/or supplier. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System.

As of the date of this Disclosure Document, there are no purchasing or distribution cooperatives in which you must participate. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the SALONS BY JC businesses in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our Affiliates may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

Advertising

All advertising and promotional materials and other items we designate must bear the Proprietary Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Franchised Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use. Please see Item 11 of this Disclosure Document for more information on our advertising requirements.

Approved Location and Lease

You must obtain our approval of the Premises for your Franchised Business before you acquire the site. You must also obtain our approval of any contract of sale or lease for the Premises before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord's execution of our prescribed form of Collateral Assignment of Lease and lease addendum. You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises.

We currently have Approved Suppliers for site selection assistance and construction management (relating to the build-out and/or construction of your Premises) and strongly recommend that you use these suppliers. We may require you to use these Approved Suppliers if we deem appropriate.

Insurance

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, including a general liability policy with \$2,000,000 in total coverage and \$1,000,000 per incident, all of which we may modify from time to time as we deem appropriate in our reasonable discretion. We do not have an Approved Supplier for insurance, but you must furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate as additional insureds (except with regards to workers' compensation insurance).

Computer Hardware and Software

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. Your Premises must have Internet Wi-Fi access that your tenants can access in their individual salon suites. We may require you to purchase any of these items from one of our Approved Suppliers. Please see Item 11 of this Disclosure Document for additional information.

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 2, 5 and 6	Section 8	Item 11
b.	Pre-opening purchases/leases	Sections 5 and 6	Section 8	Items 7, 8, 11
c.	Site development and other pre-opening requirements	Sections 2, 5 and 6	Section 3	Items 6, 7, 11
d.	Initial and ongoing training	Sections 5 and 6	Not Applicable	Item 11
e.	Opening	Sections 5 and 6	Section 3, Exhibit B	Item 11

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
f.	Fees	Sections 3, 4, 9 and 13(E)	Section 9	Items 5, 6, 7, 11
g.	Compliance with standards and policies/Confidential Operations Manual	Sections 5 and 6	Section 3	Items 6, 11
h.	Trademarks and proprietary information	Section 7	Section 13	Items 13, 14
i.	Restrictions on products/services offered	Sections 5 and 6	Not Applicable	Items 8, 11, 16
j.	Warranty and customer service requirements	Section 6	Not Applicable	Not Applicable
k.	Territorial development and sales quotas	Not Applicable	Section 1, 3, and Exhibit B	Item 12
l.	Ongoing product/service purchases	Sections 5 and 6	Not Applicable	Items 8, 16
m.	Maintenance, appearance and remodeling requirements	Section 6	Not Applicable	Items 8, 11
n.	Insurance	Sections 6 and 11	Not Applicable	Items 6, 11
o.	Advertising	Sections 4, 5, 6 and 9	Not Applicable	Items 6, 11
p.	Indemnification	Section 11	Not Applicable	Item 9
q.	Owner's participation/management/staffing	Section 6	Section 7	Item 15
r.	Records and reports	Sections 4, 6 and 10	Not Applicable	Items 6, 9, 21
s.	Inspections and audits	Section 5 and 10	Not Applicable	Items 6, 11, 21
t.	Transfer	Section 13	Section 16	Item 17
u.	Renewal	Section 3	Not Applicable	Item 17
v.	Post-termination obligations	Sections 14(B) and 16	Sections 14, 15	Item 17
w.	Non-competition covenants	Section 14	Section 11	Item 17
x.	Dispute resolution	Sections 19 and 21	Sections 21, 22	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing, nor do we guarantee your obligations.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS and TRAINING

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

A. Pre-Opening Obligations

1. If you have entered into a Development Agreement for the right to operate three or more Franchised Businesses, we will designate your Development Area wherein you will have the right to secure a Premises (each of which we must approve) for each of your Franchised Businesses. (Development Agreement, Section 3);

2. We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Business(es). We will also review, and subsequently approve/reject, any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business. (Franchise Agreement, Sections 2(B) and 5(E));

3. Once you secure a Premises that we approve for a Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in a Data Sheet attached as an Exhibit to your Franchise Agreement. (Franchise Agreement, Section 2(D));

4. We will loan you one copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our Operations Manual as of the Issue Date of this Disclosure Document is attached to this Disclosure Document as Exhibit G and is a total of approximately 138 pages (Franchise Agreement, Section 5(D));

5. We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Section 5(D));

6. We will review and approve your signage, the proposed layout and design of your Premises (whether created by our Approved Supplier or other contractor you select), as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion. (Franchise Agreement, Section 6(D)); and

7. We will provide you and up to one additional person with our proprietary initial training program (the "Initial Training Program") regarding our System methods and techniques related to the establishment and operation of a SALONS BY JC franchise. We will provide this training to you and one other person tuition-free, but you are solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending the Initial Training Program at our training facility in Texas over a one-week period (including travel, lodging, meals and employee wages). You must complete our Initial Training Program to our satisfaction within 60 days of executing your Franchise Agreement. If

you are a partnership, corporation or limited liability company, at least one of the trainees must be your general partner, principal shareholder, or managing member as appropriate. If you have appointed a manager to run the day-to-day operations of the Franchised Business (the “Facility Manager”), then this Facility Manager must also attend the Initial Training Program. (Franchise Agreement, Sections 5(A) and 6(N)).

Please find a Training Chart providing the details of our Initial Training Program on the following page.

TRAINING CHART

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Welcome and Business Orientation	2	0	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Marketing and Advertising	2	0	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Layout and Set up	2	2	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
The Salons by JC Advantage	2	2	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Sales Presentations, Facility Operation	2	2	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business)..
The Real Estate and Salon Industry	2	6	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Business Operations and Record Keeping	2	2	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Hiring, Training, Overseeing Employees	2	2	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).
Graduation, Summary, Completion	1	0	Our corporate headquarters in Texas or other training facility we designate (which may include your Franchised Business).

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Total	20	20	

We do not currently have a set training schedule, but our Initial Training Program will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program via the Internet or webinar. Our training managers and their years of experience within the industry and with our System are listed below. Our training managers may utilize other employees to assist them with all aspects of training. Failure to complete the Initial Training Program to our satisfaction within the applicable time period may result in termination of the Franchise Agreement. (Franchise Agreement, Section 5(A)).

Our President, Steve Griffey, will oversee our entire Initial Training Program and the topics of instruction described in the Chart above. Steve has well over 10 years of experience in connection with all of these subjects and other matters related to the establishment and operation of a SALONS BY JC Facility. He has been with us since our inception in 2008. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one year of experience in the subject matters that they teach. We will loan you one copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that works at your Franchised Business. (Franchise Agreement, Section 6(N) and 6(O)).

If you wish to have more than two individuals attend the Initial Training Program, we will train these individuals, subject to the availability of our training staff, at our corporate headquarters or any other location we may select and we reserve the right to charge our then-current training tuition fee, which is currently \$1,000 per trainee. If you, your Facility Manager (if applicable) or other trainee you designate fails to complete the Initial Training Program to our satisfaction, that person may re-attend or you may send a replacement to our next available Initial Training Program session, provided there is availability. We may charge our then-current training tuition rate for these individuals to re-attend the Initial Training Program as well. In any event, you are solely responsible for all expenses incurred related to your and your employee's attendance at our Initial Training Program, including transportation to and from the training site, lodging, meals and employee wages. (Franchise Agreement, Section 5(A) and 6(N)).

B. Site Selection

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing a Premises for your Franchised Business; and (ii) constructing, equipping, remodeling and/or building out the Premises for use as a Franchised Business, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Premises of your Franchised Business. In deciding whether to

approve a site, we may also consider, among other things: (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site; (ii) competition from other businesses selling similar products and services within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site; (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (iv) the size, appearance, and other physical characteristics of the proposed site.

We must also have the opportunity to review and approve/reject any lease or purchase agreement for a proposed Premises before you enter into such an agreement. We may condition our approval on a number of conditions, including: (i) an agreement by you and the landlord of the Premises to enter into our prescribed form of Collateral Assignment of Lease and our then-current form of lease addendum (if any); and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including subleasing/renting certain portions of the Premises to different beauty and wellness practitioners, throughout the term of your Franchise Agreement. (Franchise Agreement, Sections 5(E) and 6(A)).

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. We do not warrant or guarantee that your Franchised Business will be successful at any Premises that we approve. Our approval only means that the site meets our minimum requirements for a Franchised Business. (Franchise Agreement, Section 5(E)).

We strongly recommend that you use our current Approved Supplier for site selection assistance and guidance, and we may require you to use this third-party provider if we deem appropriate. You must secure a Premises that we approve within 90 days of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6(A)).

C. Time to Open

Except as provided in this Item, you must open and commence operations of your Franchised Business within nine months of the date you execute your Franchise Agreement for that Franchised Business. We estimate that it will take between six to nine months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. If you do not open or operate your Franchised Business within this nine-month period (or extended period of time that we grant you upon your written request), then we may terminate your Franchise Agreement (Franchise Agreement, Section 6(D)).

If you have entered into a Development Agreement to open and operate three or more Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule will depend on the number of Franchised Businesses you are granted the right to open and operate. (Development Agreement, Section 4(B) and 4(C)).

We may agree to extend your deadline(s) to open certain of your Franchised Businesses under the Development Agreement, provided you timely request such an extension in writing and we approve your request. Otherwise, if you fail to open any Franchised Business within the appropriate time period set forth in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date.

D. Post-Opening Obligations

1. We may offer, and require you and your Facility Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion (“Additional Training”). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Designated Manager attend up to five days of Additional Training each year at our headquarters or other location we designate. You will be required to pay our then-current training tuition fee for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training. (Franchise Agreement, Section 5(C));

2. We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, or intranet communication, as we deem advisable and subject to the availability of our personnel. We may also provide you with on-site assistance, subject to the availability of our field representatives, provided you pay our then-current on-site assistance or consultation fee. (Franchise Agreement, Section 5(F));

3. We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 under the heading “Advertising and Marketing.” (Franchise Agreement, Section 5(G));

4. We will approve or disapprove your requests to: (i) purchase and/or offer non-approved products or services in connection with the Franchised Business; and (ii) make Required Purchases from suppliers other than our then-current Approved Suppliers. (Franchise Agreement, Section 6(K));

5. We may schedule and hold an annual conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five days each year. You will be responsible for the costs and expenses you incur in connection with any annual conference/convention (lodging, travel, meals, etc.), but we will not charge you an attendance/registration fee. (Franchise Agreement, Section 5(P));

6. We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the SALONS BY JC brand, our Proprietary Marks and other Facility locations, provided you are in compliance with the terms of your Franchise Agreement.

Please see below in this Item 11 under the heading “Advertising and Marketing” for further information. (Franchise Agreement, Section 5(H));

7. We may administer and maintain a System-wide advertising and marketing fund (the “Fund”) for the benefit of the System, as we deem necessary in our sole discretion. Currently, we have not established a System-wide Marketing Fund. (Franchise Agreement, Section 5(L));

8. We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of the SALONS BY JC franchise, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. (Franchise Agreement, Section 5(K));

9. We may supplement, revise or otherwise modify the Manuals, as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet. (Franchise Agreement, Section 2(G)); and

10. We may: (i) research new salon equipment, beauty supplies, services and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion; and (ii) create and develop additional products and services to be offered or provided as Approved Products and Services at SALONS BY JC Facilities, including proprietary products and services sold under the trademarks we designate. (Franchise Agreement, Section 6(D)).

E. Advertising

All advertising and promotion that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities. (Franchise Agreement, Section 9(A)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least 20 days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 15 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of 90 days, unless we: (i) prescribe a different time period for use; or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time. (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

Grand Opening Advertising. You are required to expend a minimum of \$10,000 within your Designated Territory to promote and advertise the grand opening of your Franchised Business (the “Grand Opening Advertising Requirement”), and this amount must be expended from the time you begin building out your Facility at the Premises through 30 days after you open your Franchised Business. (Franchise Agreement, Section 9(C)).

Local Advertising. Recognizing the importance of promoting your Franchised Business within your Designated Territory and surrounding area, you must expend a minimum of (a) \$1,000 each month or (b) \$12,000 cumulatively each year on local advertising and marketing (the “Local Advertising Requirement”). You must use only those materials that we have previously approved or designated, and we may require that you provide us with reports and other evidence of your local advertising expenditure each month. (Franchise Agreement, Section 9(D)).

System-wide Marketing Fund. We reserve the right to establish and administer a System-wide Advertising and Marketing Fund (the “Fund”) for the benefit of the entire System of SALONS BY JC Facilities. If we establish a Fund in the future, we intend to use the Fund to meet certain costs related to maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System. While we do not currently have a Fund in place, we reserve the right to require you to contribute up to one percent (1%) of the Gross Sales of each of your Franchised Businesses towards the Fund if one is established in the future (the “Fund Contribution”). Our Affiliate-owned Facilities will contribute to the Fund in the same manner that each franchised Facility is required to contribute. (Franchise Agreement, Section 9(E)).

If we establish a Fund, we will not be required to spend any of your Fund Contributions in the Designated Territory you are granted under your Franchise Agreement, and we will provide you with an accounting of the Fund within 120 days after our fiscal year end (upon your written request). We are not required to have the Fund audited, but we may do so and use the Fund Contributions to pay for such an audit. If we establish a Fund, we do not presently intend to use it to solicit new franchise sales. If we do not spend all Fund Contributions in a given year, any excess funds will rollover into the Fund for use during the following year. We will have the right to modify or discontinue the Fund (if established), as we deem appropriate in our sole discretion. In the past fiscal year, we did not collect any Fund Contributions because we have not yet established a Fund and, as a result, we cannot provide a breakdown of how such Fund Contributions were spent. (Franchise Agreement, Section 9(D)).

Advertising Council. Currently, we have not established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing advice/guidance on how to administer the Fund (if established in the future). At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System. We will have the right to modify or dissolve an Advertising Council (if created) at any time. (Franchise Agreement, Section 9(F)).

Regional Advertising Cooperatives (“Cooperatives”). We reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two or more Facilities (whether a Franchised Business or Affiliate-owned) (each a “Cooperative”). If we assign your Franchised Business to a Cooperative we establish, you must work with the other Facility owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Facilities within the geographical boundaries of the Cooperative. We have not established any Cooperatives as of the Issue Date of this Disclosure Document, and have not contemplated how much a

Franchised Business might be required to contribute to such a Cooperative (though it will not exceed your Local Advertising Requirement of \$1,000 per month). We will have the right to establish, modify, merge and dissolve Cooperative as we deem appropriate. Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement.

F. Computer System

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, including without limitation (i) a laptop or other computer that meets our System specifications and is capable of running accounting software such as QuickBooks and/or tenant scheduling software; (ii) printers and other peripheral hardware/devices; and (iii) equipment necessary to maintain a physical, electronic or other security system for the Franchised Business that we designate (collectively, the “Computer System”). We may also require you to use designated software in connection with the Computer System and Franchised Business (the “Required Software”). (Franchise Agreement, Sections 4(C) and 6(D)).

Currently, the computer/laptop you use in connection with your Computer System must have: (i) the ability to access high-speed Internet (wirelessly); (ii) Windows XP, Vista or newer Windows operating system software installed, along with a Microsoft Office software suite containing Word and Excel; and (iii) the ability to run QuickBooks or similar accounting/bookkeeping software. The principal functions of the Computer System will be for bookkeeping, creating invoices, preparing materials, and for other general use in connection with the Franchised Business. The computer/laptop you use in connection with the Franchised Business may not be used for any other business purpose. We may modify our System standards and specifications for our Computer System, and may otherwise require you to use any Required Software we designate. (Franchise Agreement, Sections 4(C), 5(J) and 6(D)).

If you already have computer hardware and/or software that meets our then-current standards for a Computer System and/or Required Software, then you may use these items in connection with your Franchised Business provided you obtain our approval. Otherwise, we estimate the costs to purchase our current Computer System to be between \$0 and \$1,500. You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$300 to \$500 annually on maintenance and support contracts for your Computer System, which includes any upgrades.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection. We may require that: (i) you comply with our standards and specifications for Internet access and speed; and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data stored on the Computer System (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Computer System.

You are also required to participate in any System-wide area computer network, intranet system, or extranet system that we implement, and may be required to use such networks or system to, among other things: (i) submit your reports due under the Franchise Agreement to us online; (ii) view and print portions of the Manuals; (iii) download approved local advertising materials; (iv) communicate with us and other System franchisees; and (v) complete certain components of any ongoing training we designate. (Franchise Agreement, Section 5(J)).

G. Website and Internet Use

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, Twitter, LinkedIn, Plaxo, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must: (i) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time; and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement, Section 9(G)).

We have the right to establish and maintain a website, that may, without limitation, promote the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our affiliate) is the sole registrant of the Internet domain name www.salonsbyjc.com, as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words.

ITEM 12 TERRITORY

Premises and Relocation

You may only operate your Franchised Business from the Premises we approve. If you have not secured a Premises at the time you enter into your Franchise Agreement, then you must secure a Premises we approve within 90 days of executing your agreement and you may be required to enter into our prescribed form of Site Selection Addendum that details the marketing area wherein your Premises must be located. We may permit more than one new franchisee to search for its Premises within the same marketing area that we assign to you, and we will review and approve/reject each franchisee’s proposed Premises in the order such proposals (along with any required materials) are received. Once we agree on the Premises, we will designate it on the Data Sheet attached to your Franchise Agreement.

You may not relocate your Franchised Business without our written consent, which we will not unreasonably withhold provided: (i) the new location is located within your Designated Territory and meets our then-current criteria for a Premises; and (ii) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate. We will not unreasonably withhold or approval of your relocation request, provided the location meets our site selection criteria.

Franchise Agreement: Designated Territory

Once you have secured the Premises of your Franchised Business, we will define the Designated Territory on the Data Sheet attached to your Franchise Agreement. Your Designated Territory will be comprised of the geographical area surrounding your Franchised Business. The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises, but your Designated Territory will typically contain a minimum of 50,000 people (which is usually anywhere from a one to three mile radius around your Designated Territory). The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U.S. Census Bureau or other governmental agencies and commercial sources). In some smaller cities, we may only award a single franchise for the entire city (even if the city is larger than three miles wide).

During the term of your Franchise Agreement, we will not open or operate, or license a third party the right to open or operate, any other Facility utilizing the Proprietary Marks and System without your Designated Territory. Your Designated Territory cannot be modified except by mutual written agreement signed by both parties.

There are no territorial restrictions from accepting business or tenants from individuals or entities that reside/work or are otherwise based outside of your Designated Territory if these persons or entities contact you, and we do not typically restrict our other franchisees or Affiliate-owned Facilities in this manner.

Development Agreement: Development Area

If you are granted the right to open three or more Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area will substantially vary from other System developers based on: (i) the number of Franchised Businesses we grant you the right to open and operate; and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated: (i) from a distinct Premises located within the Development Area; and (ii) within its own Designated Territory that we will define once the Premises for that Franchised Business has been approved.

We will not own or operate, or license a third party the right to own or operate, a Facility utilizing the Proprietary Marks and System within the Development Area until the earlier of: (i) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Development Agreement; or (ii) the expiration or termination of the Development Agreement for any reason. Upon the occurrence of any one of these events, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under the franchise agreement(s) you entered into for those Franchised Business(es).

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your exclusive rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Reserved Rights

Under the Franchise Agreement and/or Development Agreement (as appropriate), we and our affiliates reserve the exclusive right to: (i) establish and operate, and license any third party the right to establish and operate, other Facilities and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if appropriate, Development Area; (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Development Area; (iii) use the Proprietary Marks and System to distribute our Approved Products and/or Services (such as private label products that we may develop in the future) in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including the Internet, direct mail, wholesale stores, etc.); (iv) to acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to those offered by you through your Franchised Business, within or outside your Designated Territory(ies) and, if appropriate, Development Area; and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Development Agreement.

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities set forth in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing.

Additional Disclosures


Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. Neither we nor our Affiliate have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products and Services under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13 TRADEMARKS

We grant you a limited, non-exclusive license to use our primary mark SALONS BY JC (and design) and certain other Proprietary Marks in connection with the operation of your Franchised Business only at your Premises and within your Designated Territory, provided you use these Proprietary Marks as set forth in your Franchise Agreement(s) and our Manuals. You do not obtain any additional rights to use

any of our Proprietary Marks under any Development Agreement you enter into. We have registered the following Proprietary Mark on the Principal Register of the United States Patent and Trademark Office (“USPTO”):

Mark	Registration Number	Registration Date
	3,611,287	April 28, 2009

We have, and will continue to, file all affidavits and other documents with the USPTO to maintain the federal registration described above. You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Proprietary Marks. The goodwill associated with our Proprietary Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Franchised Business during the term of the Franchise Agreement. Any increase in the goodwill associated with our Proprietary Marks during the term of the Franchise Agreement will benefit us. All rights to use our Proprietary Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

As of the Issue Date of this Disclosure Document, there is no litigation pending arising out of our Proprietary Marks, and we are not aware of any superior rights in, or infringing uses of, our Proprietary Marks that could materially affect your right to use these marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Proprietary Marks, nor are there any pending infringement, opposition or cancellation proceedings, or any material litigation, involving the Proprietary Marks.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a”. You may not modify the Proprietary Marks with words, designs or symbols, except those that we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the word “Salons by JC” or any similar phrase.

You must immediately notify us, in writing, if you become aware of any unauthorized use of our Proprietary Marks or other proprietary information, and you must permit us to participate in any litigation involving you and our Proprietary Marks. We will take the action we think appropriate. We will indemnify, defend and hold you harmless in connection with any third-party claims that are brought against you that arise solely out of your authorized use of any Proprietary Marks in the manner we prescribe, provided you immediately notify us of the proceeding (within three days) and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate,

independent legal counsel, unless we approve of your use of such counsel in writing prior to you engaging counsel. We will not reimburse you for disputes where we challenge your use of our Proprietary Marks.

You must modify or discontinue using any of the Proprietary Marks, and add new names, designs, logos or commercial symbols to the Proprietary Marks as we instruct. We may, at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signage, marketing displays, trade dress and other advertising), at your sole expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or copyrights which are material to the franchise, however, we claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

During the term of the Franchise and/or Development Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise/Development Agreement or any time thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the "Confidential Information"). You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

You must require your Facility Manager and any personnel having access to any of our Confidential Information to sign our then-current form of Confidentiality and Non-Competition Agreement that is attached to the Franchise Agreement as Exhibit "E," wherein these individuals agree that they will maintain the confidentiality of information they receive in connection with their employment and restrict their right to work for a competitor while they are employed by you. This confidentiality agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise and Development Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any Franchised Business, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new

concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise and/or Development Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

We may revise any of our copyrighted materials at our discretion, and may require that you cease using any outdated item or portion of the Manuals.

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

While we recommend that you personally participate and manage the day-to-day operations of your Franchised Business, you may hire a Facility Manager to manage daily operations with our approval. Both you and your Facility Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any Facility Manager you propose, provided the Facility Manager has demonstrated that he has a good handle on our System standards and specifications for daily operations of a SALONS BY JC Facility. If the franchisee is a business entity, we do not require the Facility Manager to own an interest in the entity, but the Facility Manager must sign our prescribed form of Confidentiality and Non-Competition Agreement.

Your Franchised Business must, at all times, be managed and staffed with at least one individual who has successfully completed our Initial Training Program. In the event that you operate more than one Franchised Business, you must have a properly trained Facility Manager at each Facility you own and operate. You must keep us informed at all times of the identity of any personnel acting as Facility Manager, and obtain our approval before substituting a new Facility Manager at any of your locations.

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Approved Products and Services that we expressly authorize through your Franchised Business, and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products and Services as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be set forth in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

Unless you obtain our prior written approval, the type of tenants that you sublease salon space to in your Premises must be limited to beauty and wellness practitioners (such as hair stylists, nail technicians, massage therapists, etc.). You may only display, use and provide those vending services that we authorize in connection with your Franchised Business.

If we discontinue any Approved Product or Service offered by the Franchised Business, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us).

You may not use the Premises of your Franchised Business for any other business purpose other than the operation of your Franchised Business.

**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.

A. Franchise Agreement

	Provision	Section in Franchise or Other Agreement	Summary
a.	Term of the Franchise	Section 3	The initial term is for 10 years commencing on the date we you're your Franchise Agreement.
b.	Renewal or extension of the term	Section 3	You have the right to be considered for two additional (and successive) 10-year terms.
c.	Requirements for franchisee to renew or extend	Section 3	You must: not be in default under your Franchise Agreement (or any other agreement with us or our affiliates), have no past material and repeated defaults under these agreements, be in good financial standing, have continued right of possession to the Premises, complete required renovation and modernization, pay us a Renewal Fee, complete our then-current refresher training course and pay the appropriate tuition fee, and execute a general release in our favor (as well as related parties).
d.	Termination by franchisee	Not Applicable	Not Applicable
e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with "cause"	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart.

g.	“Cause” defined – curable defaults	Section 15(C)	<p>You must cure all monetary defaults under your Franchise Agreement within 10 days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item; failure to purchase from our Approved Suppliers; any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized; and failure to obtain any necessary permit/certificate/approval to operate the Franchised Business.</p> <p>Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s).</p>
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i.	Franchisee's obligations on termination/non renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include: immediately discontinuing the use of the Proprietary Marks and trade dress; cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business; return of the Manuals of any other Proprietary Information to us; provide us with all customer information, lists and applicable contracts; cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee; comply with all post-term restrictive covenants; at our written option, assign the lease for the Premises to us; provide us with written confirmation of compliance with these obligations within 30 days.
j.	Assignment of contract by franchisor	Section 13	No restrictions on our right to assign.
k.	"Transfer" by franchisee – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you.
l.	Franchisor approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.
m.	Conditions for franchisor approval of transfer	Section 13(E)	We have the right to impose the following conditions on any transfer by you: all of your obligations under the Franchise Agreement have been satisfied; the new franchisee must meet our then-current qualifications and criteria for a new franchisee; transferee must assume all of your obligations under the Franchise Agreement; transferee must complete our training program; transferee must execute our then-current form of franchise agreement; transferee must pay our Transfer Fee and successfully complete our Initial Training Program (and pay the applicable training fee); and you must execute a general release in our favor (as well as related parties

n.	Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party <i>bona fide</i> offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o.	Franchisor's option to purchase franchisee's business	16(G)	We have the right, but not the obligations, to purchase all or any portion of the assets of your Franchised Business upon expiration/termination of your Franchise Agreement at book value.
p.	Death or disability of franchisee	Section 13(B)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q.	Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Facility Managers, nor any immediate family member thereof, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Franchise Agreement); (ii) employ or seek to employ any of employees or us, our affiliates or any other System franchisee or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business.

u.	Dispute resolution by arbitration or mediation	Section 21(B) Section 21(C)	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place in San Antonio, Texas. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
v.	Choice of forum	Section 21(D) and 21(E)	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to San Antonio, Texas or, if appropriate, the USDC for the Western District of Texas. (subject to state law).
w.	Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Texas, without reference to this state's conflict of laws principles. (subject to state law).

B. Development Agreement

	Provision	Section in Development Agreement	Summary
a.	Term of the Franchise	Section 1(B), Exhibit B	The Development Schedule will dictate the amount of time you have to open a specific number of SALONS BY JC franchises, which will differ for each Developer and will be specified in Exhibit B of the Development Agreement.
b.	Renewal or extension of the term	Not Applicable	Not Applicable
c.	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
d.	Termination by franchisee	Not Applicable	Not Applicable

e.	Termination by franchisor without cause	Not Applicable	Not Applicable
f.	Termination by franchisor with "cause"	Section 14	We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.
g.	"Cause" defined – curable defaults	Section 14(B)	We may terminate your Development Agreement after providing notice and a 30-day cure period (unless a different cure period is specified below) if: you fail to meet the Development Schedule; you fail to develop, open, and operate each Facility and execute each Franchise Agreement in compliance with the Development Agreement; you fail to designate a qualified replacement Representative; you misappropriate or misuse the Proprietary Marks or impair the goodwill of the Proprietary Marks or System; fail to make monetary payment under the Development Agreement or any Franchise Agreement to us or our affiliate, and fail to cure within 14 days of receiving written notice from us; fail to correct a deficiency of a health, sanitation, or safety issue identified by a local, state or federal agency or regulatory authority; or you fail to comply with any other material term or material condition of the Development Agreement or any Franchise Agreement.

h.	“Cause” defined - defaults which cannot be cured	Section 14(A)	<p>We may terminate your Development Agreement automatically upon written notice if: you become insolvent or make a general assignment for the benefit of creditors; file a bankruptcy petition or are adjudicated bankrupt; a bill in equity or appointment of receivership is filed in connection with you; a receiver or custodian of your assets of property is appointed; a proceeding for a composition of creditors is initiated against you; a final judgment is entered against you and not satisfied within 30 days; if you are dissolved, execution is levied against you; a suit to foreclose any lien or mortgage against any of your Facilities is levied; the real or personal property of a Facility is sold after being levied upon; you fail to comply with the non-competition covenants of the Development Agreement; you or your principal discloses the contents of the Manuals or other confidential information; an immediate threat or danger to public health or safety results from the operation of a Facility operated by you; you or your Principal has made a material misrepresentation in the franchise application; you fail on 3 or more occasions within a 1-year period to comply with a provision of the Development Agreement; or you fail to comply with the transfer conditions of the Development Agreement.</p>
i.	Franchisee’s obligations on termination/non renewal	Section 14(D), Section 15	<p>Upon termination, you have no right to establish or operate any Facility for which an individual Franchise Agreement has not been executed by us and delivered to you at the time of termination. All of your obligations under the Development Agreement which expressly or by their nature survive the expiration or termination of the Agreement (including the non-competition covenants of Section 11), continue in full force and effect until they are satisfied or by their nature expire.</p>

j.	Assignment of contract by franchisor	Section 16(A)	We have the absolute right to transfer or assign the Development Agreement and all or any part of its rights, duties or obligations to any person or legal entity without your consent.
k.	“Transfer” by franchisee – defined	Section 16(B)	A transfer includes voluntarily, involuntarily, directly or indirectly, assigning, selling, conveying, pledging, sub-franchising or otherwise transferring any of the rights created by the Development Agreement or any ownership interest in you.
l.	Franchisor approval of transfer by franchisee	Section 16(C)	We must approve all transfers, but we will not unreasonable withhold our approval if you meet our conditions.
m.	Conditions for franchisor approval of transfer	Section 16(C)	Our conditions for approving a transfer include: all of you and your affiliates’ money obligations must be satisfied; you and your affiliates must not be in material default of the Development Agreement or any Franchise Agreement; you must execute a general release in our favor; the transferee must meet our then-current criteria for Developers; the transferee must sign a written assumption agreement assuming your liabilities under the Development Agreement; you must pay a transfer fee of \$10,000; and you must pay any referral fees or commissions that may be due to any franchise broker, sales agent, or any other third party.
n.	Franchisor’s right of first refusal to acquire franchisee’s business	Section 16(E)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party offer to purchase any ownership interest in the Development Agreement. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal.
o.	Franchisor’s option to purchase franchisee’s business	Not Applicable	Not Applicable

p.	Death or disability of franchisee	Section 16(F)	<p>You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our training program and executes either a personal guaranty or a new Development Agreement.</p> <p>During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period.</p>
q.	Non-competition covenants during the term of the franchise	Section 11(B)(1)	<p>Neither you, your principals, guarantors, owners or key employees, nor any immediate family member thereof, may: (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Development Agreement); (ii) employ or seek to employ any employees of us, our affiliates or any other System franchisee/developer or induce such persons to leave their employment; or (iii) divert, or attempt to divert, any prospective customer to a Competing Business.</p>

r.	Non- competition covenants after the franchise is terminated or expires	Section 11(B)(2)	<p>For a period of two years after the termination/expiration/transfer of your Development Agreement, neither you, your principals, guarantors, owners, nor any immediate family member thereof, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising of Competing Businesses.</p> <p>For a period of two years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, nor any immediate family member thereof, may own, operate or otherwise be involved with and Competing Business: (i) within the Development Area; (ii) within a 40-mile radius of your Development Area or any other designated territory or designated area licensed by us to a SALONS BY JC Facility as of the date of expiration/termination of the Development Agreement.</p> <p>During this two-year period, these parties are also prohibited from: (i) soliciting business from customers of your former Facilities; (ii) contacting any of our suppliers/vendors for a competitive business purpose; or (iii) soliciting any employees of us, our affiliates or any other System franchisee or developer to discontinue their employment.</p>
s.	Modification of the agreement	Section 23(F)	Your Development Agreement may not be modified, except by a writing signed by both parties.
t.	Integration/merger clause	Section 23(G)	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law). Any other promises may not be enforceable.

u.	Dispute resolution by arbitration or mediation	Section 21(B), Section 21(C)	<p>You must first submit all dispute and controversies arising under the Development Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Development Agreement must be submitted to non-binding mediation, which will take place in San Antonio, Texas. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>
v.	Choice of forum	Section 22(A)	<p>Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Development Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to San Antonio, Texas or, if appropriate, the USDC for the Western District of Texas. (subject to state law).</p>
w.	Choice of law	Section 21(A)	<p>The Development Agreement is governed by the laws of the state of Texas, without reference to this state's conflict of laws principles. (subject to state law).</p>

**ITEM 18
PUBLIC FIGURES**

We do not use any public figures to promote our franchise, but we reserve the right to use one 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.

BACKGROUND

This Item sets forth certain historical data of six of our Affiliate-owned Facilities that have operated a business similar to the Franchised Business under the name “Salons by JC” and other Proprietary Marks (the “Representative Facilities”). Each of the Representative Facilities was open and operating throughout the entirety of the 2011 calendar year. Written substantiation of the data used in preparing this information will be made available upon reasonable request. We have not audited this information or independently verified this information, all of which was provided to us by our Affiliate. The relevant measurement period for the information provided in this Item varies depending on what information is being referenced, but each of the Charts below specifies the time period(s) at issue.

We excluded the corresponding information of one Affiliate-owned Facility because it was not open during the entire 2011 calendar year. Importantly, the success of your franchise will depend largely upon your individual abilities and your market, and the financial results of your franchise are likely to differ, perhaps materially, from the results summarized in this Item. You should not use this information as an indication of how well your franchise will do. A number of factors will affect the success of your Franchised Business. These factors include the current market conditions, the type of market in your franchise area, the location of your franchise area, the competition and your ability to operate the franchise.

Chart Set No. 1: Tenure (Time Open) of the Representative Facilities as of December 31, 2011

Years ¹		
Low	High	Average Tenure
1.50	13.34	8.12

Months ²		
Low	High	Average Tenure
18.0	160.1	97.4

Notes to Chart Set No. 1:

1. This Chart sets forth the average number of years (rounded to the nearest hundredth of a decimal point) that the Representative Facilities were open and operating as of December 31, 2011. The Average Tenure (or number of years open) in this Chart was calculated by adding up the number of years that each Representative Facility was open and operating as of December 31, 2011, and dividing that number by the total number of Representative Facilities (6). Of the Representative Facilities, three (or 50%) were open longer than the Average Tenure and three (or 50%) were open for less time than the Average Tenure.
2. This Chart sets forth the average number of months (rounded to the nearest tenth of a decimal point) that the Representative Facilities were open and operating as of December 31, 2011. The Average Tenure (or number of months open) in this Chart was calculated by adding up the number of months that each Representative Facility was open and operating as of December 31, 2011, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, three (or 50%) were open longer than the Average Tenure and three (or 50%) were open for less time than the Average Tenure.

Chart No. 2¹: Tenant Occupancy Rates² of Each Representative Facility as of the End of Each Calendar Year from 2007 through 2011

Representative Facility	Open Date	Suites	2007	2008	2009	2010	2011
DFW Facility 1	9/1/1998	40	94%	90%	93%	93%	93%
DFW Facility 2	2/1/2000	37	97%	100%	100%	97%	97%
SA Facility 1	5/1/2002	56	96%	100%	100%	100%	100%
SA Facility 2	5/1/2004	42	100%	100%	98%	100%	98%
SA Facility 3	6/1/2007	53	60%	92%	98%	100%	100%
SA Facility 4	7/1/2010	32	N/A	N/A	N/A	100%	100%

Notes to Chart No. 2:

1. This Chart details the following information about each Representative Facility: (i) its general location; (ii) opening date (Month/Day/Year); (iii) the number of individual Suites at each Facility that can be leased (each, a “Suite”); and (iv) the tenant occupancy rate of the Facility at the end of each calendar year from 2007 through 2011 (except for SA Facility 4 which only opened in July 2010).
2. The Tenant Occupancy Rate for each Representative Facility was calculated by taking the total number of Suites leased by that Facility as of December 31st of each calendar year listed above, and dividing that number by the total number of Suites that Facility has available to lease at its respective Premises.
3. Since your Franchised Business will be a new business offering, you should not expect to achieve certain of the Tenant Occupancy Rates described in Chart No. 2 until your Franchised Business has established a foothold at the Premises and within the Designated Territory generally.

Chart Set No. 3: Square Feet Under Management and Tenants Under Management, Along with Average Number of Suites and Average Percentage of Suites Leased, Per Representative Salon (as of December 31, 2011)

Square Feet Under Management ¹ Per Representative Facility			
Low	High	Average	Total
6,005	10,200	8,365 ¹	50,188 ¹

Tenants Under Management/Average Number of Suites/ Average Percentage of Suites Leased Per Representative Facility				
Low	High	Average Number of Tenants Under Management ²	Average Number of Suites ³	Average Percentage of Suites Leased ⁴
32	56	42.5	43.3	98.1%

Notes to Chart Set No. 3:

1. Square Feet Under Management for each Representative Facility means the total square footage of that Facility that is covered under the lease for that Facility’s Premises. The Total Square Feet Under Management is calculated by taking the sum of all the Representative Facilities’ Square

Feet Under Management (50,188 square feet). Average Square Feet Under Management Per Representative Facility is calculated by taking the total described in the preceding sentence, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, three (or 50%) of the Representative Facilities have more Square Feet Under Management than the average of 8,365 square feet, and three (or 50%) Representative Facilities have less Square Feet Under Management than this average.

2. Tenants Under Management for each Representative Facility means the number of third parties that were currently leasing a distinct Suite at that Facility as of December 31, 2011. Average Tenants Under Management is calculated by taking the total Tenants Under Management at all the Representative Facilities as of December 31, 2011, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, two (or 33%) of the Representative Facilities had more Tenants Under Management than the average of 42.5 tenants as of December 31, 2011, and four (or 66%) of the Representative Facilities had less Tenants Under Management than this average.
3. Average Number of Suites Per Representative Facility is calculated by taking the total number of Suites at all the Representative Facilities, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, two (or 33%) of the Representative Facilities have more Suites than the average of 43.3, and four (or 66%) of the Representative Facilities have less Suites than this average.
4. For each Representative Facility, the Percentage of Suites Leased is calculated by taking the number of Tenants Under Management by that Facility as of December 31, 2011, and dividing that number by the number of Suites located at that Facility that are available for lease. Average Percentage of Suites Leased Per Representative Facility is calculated by taking the total of all Representative Facilities' respective Percentages of Suites Leased as of December 31, 2011, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, three (or 50%) of the Representative Facilities had a higher Percentage of Suites Leased as of December 31, 2011 than the average of 98.1%, and three (or 50%) had a lower Percentage of Suites Leased than this average.

Chart Set No. 4: Gross Construction Costs

Gross Construction Costs ¹ Per Square Foot ²			Gross Construction Costs Per Suite ⁴		
Low	High	Average ³	Low	High	Average ⁴
\$51.07	\$81.14	\$64.21	\$10,785	\$14,798	\$12,620

Notes to Chart Set No. 4:

1. Gross Construction Costs means the costs incurred by our Affiliate at each Representative Facility in connection with leasehold improvements at that Facility's Premises, as well as costs incurred in connection with obtaining and/installing fixtures, laundry room equipment (washers and dryers), break room equipment, vending machines, exterior signage, common area chairs, access key entry system and standard office equipment at that Facility. Please be advised that these Gross Construction Costs for each Representative Facility were incurred prior to the time that Facility first opened and commenced operations (ranging from 1998 to 2010 as described more fully in Chart No. 2). The Gross Construction Costs that you incur in connection with building-out your Franchised Business at this time may be higher due to inflation, increases in costs of labor/materials and other factors.

2. Gross Construction Costs Per Square Foot for each Representative Facility is calculated by taking the total Gross Construction Costs incurred in connection with that Facility, and dividing that number by the total number of square feet at that Representative Facility.
3. Average Gross Construction Costs Per Square Foot is calculated by taking the sum of the Gross Construction Costs Per Square Foot for all the Representative Facilities, and dividing that figure by the number of Representative Facilities. Of the Representative Facilities, four (or 66%) of the Representative Facilities had a lower Gross Construction Costs Per Square Foot than this average of \$64.21, and two (or 33%) of the Representative Facilities had a higher Gross Construction Costs Per Square Foot than this average.
4. Gross Construction Costs Per Suite for each Representative Facility is calculated by taking the total Gross Construction Costs of that Facility and dividing that figure by the number of individual Suites at that Facility. Average Gross Construction Costs Per Suite amongst all the Representative Facilities is calculated by taking the sum of the Gross Construction Costs for all the Representative Facilities at the time they were constructed (\$3,281,102), and dividing that figure by the number of total number of Suites at all these Representative Facilities (260). Of the Representative Facilities, four (or 66%) of the Representative Facilities had a lower Construction Costs Per Suite than this average of \$12,620, and two (or 33%) of the Representative Facilities had a higher Construction Costs Per Suite than this average.

Chart Set No. 5: Construction Analysis – Construction Costs (Gross and Net) and Landlord Concessions

Gross Construction Costs Per Square Foot ¹		
Low	High	Average ¹
\$51.07	\$81.14	\$64.21

Net Construction Costs ⁶ Per Square Foot ⁶		
Low	High	Average ⁶
\$44.21	\$60.43	\$50.30

Tenant Improvement Contribution Per Representative Facility ^{2,5}		
Low	High	Average ²
\$22,750	\$210,000	\$126,092

Net Construction Costs Per Suite ⁷		
Low	High	Average ⁷
\$8,053	\$11,402	\$9,710

Gross Concessions Per Representative Facility ^{4,5} (Tenant Improvement Contribution + Free Rent ^{3,5})		
Low	High	Average ³
\$58,800	\$264,042	\$141,418

Notes to Chart Set No. 5:

1. Please see Notes 1 through 3 following Chart Set No. 4 for definitions and other information related to Gross Construction Costs, Gross Construction Costs Per Square Foot and Average Gross Construction Costs Per Square Foot.
2. Tenant Improvement Contribution for each Representative Facility means the total amount that the landlord/lessor of the Premises for that Facility paid or credited towards the Gross Construction Costs of that Facility to assist our Affiliate in building out and/or constructing that

Facility to comply with our System standards and specifications for a SALONS BY JC business. Average Tenant Improvement Contribution is calculated by taking the sum of the Tenant Improvement Contributions for all of the Representative Facilities, and dividing that figure by the total number of Representative Facilities. Of the six Representative Facilities, four (or 66%) of the Facilities had a higher Tenant Improvement Contribution than the average of \$126,092, and two (or 33%) of the Facilities had a lower Tenant Improvement Contribution than this average.

3. In addition to Tenant Improvement Contributions, the landlord of the Premises for certain Representative Facilities provided Free Rent to our Affiliate. Free Rent means rent concessions that were provided by the landlord of the Premises for these Representative Facilities in the first year of the lease for the Premises to help offset the costs of building out the Premises to our then-current standards and specifications for a SALONS BY JC business.
4. Gross Concessions for each Representative Facility means the total Tenant Improvement Contribution and Free Rent that our Affiliate received in connection with that Facility. Average Gross Concessions is calculated by taking the sum of the Gross Concessions for all of the Representative Facilities, and dividing that figure by the number of Representative Facilities. Of the six Representative Facilities, three (or 50%) had higher Gross Concessions than the average of \$141,418, and three (or 50%) had lower Gross Concessions than this average.
5. It is important to note that your ability to obtain Gross Concessions, which is comprised of Tenant Improvement Contributions and Free Rent, may vary based on the location of your Premises, the competitive market for commercial leases in the area, your landlord's preferences/policies, and whether or not you are willing to execute a personal guaranty in connection with the lease for your Premises. Be advised that a personal guaranty was executed in connection with the leases for each of the Representative Facilities, and these guarantees varied in duration from 24 to 60 months. Please be further advised that these Gross Concessions were provided in connection with each of the Representative Facilities at the time these Facilities were first built out or constructed (anywhere from 1998 to 2010). There is no guarantee that you will be able to obtain any type of Gross Concessions in connection with the lease for the Premises of your Franchised Business.
6. Net Construction Costs for each Representative Facility means the Gross Construction Costs for that Facility, less the Gross Concessions for that Facility. For each Representative Facility, the Net Construction Costs Per Square Foot is calculated by taking the Net Construction Costs for that Facility, and dividing that figure by the number of square feet in that Facility. Average Net Construction Costs Per Square Foot is calculated by taking the sum of the Net Construction Costs for all the Representative Facilities (\$2,524,552), and dividing that figure by the total Square Feet Under Management of all six Representative Facilities (50,188). Of the six Representative Facilities, four (or 66%) of the Facilities had lower Net Construction Costs Per Square Foot than the average of \$50.30, and two (or 33%) had higher Net Construction Costs Per Square Foot than this average.
7. Net Construction Costs Per Suite for each Representative Facility is calculated by taking the Net Construction Costs for that Facility, and dividing that figure by the number of Suites in that Facility. Average Net Construction Costs Per Suite is calculated by taking the sum of the Net Construction Costs for all the Representative Facilities, and dividing that figure by the total number of Suites in all six Representative Facilities. Of the six Representative Facilities, three (or 50%) of the Facilities had lower Net Construction Costs Per Suite than the average of \$9,710, and three (or 50%) had higher Net Construction Costs Per Suite than this average.

Chart Set No. 6: Useable/Leasable Space Percentage and Revenue Per Square Foot of Useable/Leasable Square Foot of Space (as of December 31, 2011)

Square Feet Under Management Per Representative Facility ¹			
Sq. Ft. Low	Sq. Ft. High	Average Sq. Ft. ¹	Total ¹
6,005	10,200	8,365	50,188

Percentage of Useable/Leasable Space Per Representative Facility ³		
% Low	% High	% Average ³
55.35%	57.90%	56.67%

Square Feet of Useable/Leasable Space Per Representative Facility ²			
Sq. Ft. Low	Sq. Ft. High	Average Sq. Ft. ²	Total
4,378	5,758	4,741	28,444

Annual Gross Revenue ⁴ Per Square Foot of Useable/Leasable Space (Per Representative Facility) ⁵		
Low	High	Average
\$78.01	\$116.48	\$96.76

Notes to Chart Set No. 6:

1. Please see the Notes following Chart Set No. 3, which provide definitions and other relevant information regarding Square Feet Under Management Per Representative Facility, as well as Average and Total Square Feet Under Management.
2. Square Feet of Useable/Leasable Space for each Representative Facility in this Chart means the square footage at that Facility that our Affiliate can lease/sublease to a third party (rather than as a percent of the total Square Feet Under Management for that Facility). Average Leasable/Usable Space Per Representative Facility is calculated by taking the total Leasable/Usable Space of all the Representative Facilities, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, two (or 33%) of the Representative Facilities have more Leasable/Usable Space than the average of 4,741 square feet, and four (or 66%) of the Representative Facilities have less Leasable/Usable Space than this average.
3. The Percentage of Useable/Leasable Space for each Representative Facility is calculated by taking the total Square Feet of Useable/Leasable Space for that Facility and dividing that figure by the total Square Feet Under Management for the Facility. Average Percentage of Useable/Leasable Space is calculated by taking the sum of the Square Feet Under Management for all the Representative Facilities, and dividing that figure by the total Square Feet of Useable/Leasable Space contained in all the Representative Facilities. Of the six Representative Facilities, three have a higher Percentage of Useable/Leasable Space than the average of 56.67%, and three have a lower Percentage of Useable/Leasable Space than this average.
4. Annual Gross Revenue for each Representative Facility means the total revenue generated at the Facility during the 2011 calendar year (from January 1, 2011 to December 31, 2011), including revenue generated by leasing services to third parties, vending services (typically snack items, beverages and laundry) and the sale of all other Approved Products and Services at that Facility. Some of our Affiliate-owned Facilities have sold these amounts. Your individual results may differ. There is no assurance that you'll sell as much.
5. For each Representative Facility, the Annual Gross Revenue Per Square Foot of Useable/Leasable Space (for the 2011 calendar year) is calculated by taking the Annual Gross

Revenue of that Facility (for the 2011 calendar year), and dividing that number by the Square Feet of Useable/Leasable Space for that Facility. Average Annual Gross Revenue Per Square Foot of Useable/Leasable Space is calculated by taking the sum of the total Annual Gross Revenue of all the Representative Facilities, and dividing that figure by the total Square Feet of Useable/Leasable Space for all the Representative Facilities. Of the Representative Facilities, three (or 50%) of the Representative Facilities had a higher Annual Gross Revenue Per Square Foot of Useable/Leasable Space than the average of \$96.48, and three (or 50%) of the Representative Facilities had a lower Annual Gross Revenue Per Square Foot of Useable/Leasable Space than this average. Again, these revenue figures are for the 2011 calendar year.

Chart Set No. 7: Annual Gross Revenue (for 2011 Calendar Year) and Annual Gross Revenue Per Square Foot of Useable/Leasable Space

Annual Gross Revenue ¹ Per Representative Facility			Annual Gross Revenue Per Square Foot of Useable/Leasable Space (Per Representative Facility) ²		
Low	High	Average ¹	Low	High	Average ²
\$345,536	\$660,565	\$458,717	\$78.01	\$116.48	\$96.76

Notes to Chart Set No. 7:

1. Please see Note 4 following Chart Set No. 6 for information regarding the definition of Annual Gross Revenue Per Representative Facility. Average Annual Gross Revenue Per Representative Facility is calculated by taking the sum of all the Representative Facilities' Annual Gross Revenues (for the 2011 calendar year), and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, two (or 33%) of the Representative Facilities had a higher Annual Gross Revenue than the average of \$459,717 for the 2011 calendar year, and four (or 66%) of the Representative Facilities had a lower Annual Gross Revenue than this average.
2. Please see Note 5 following Chart Set No. 6 for all relevant information regarding Annual Gross Revenue Per Square Foot of Useable/Leasable Space (and the Average amongst the Representative Facilities).

Chart Set No. 8: Annual Net Income (for the 2011 Calendar Year) and Net Income Percentage Per Representative Facility

Net Income Per Representative Facility ¹			Net Income Percentage Per Representative Facility ³		
Low	High	Average ²	Low	High	Average ⁴
\$115,383	\$272,638	\$183,010	31.30%	48.80%	39.90%

Notes to Chart Set No. 8:

1. In this Chart, Annual Net Income for each Representative Facility means the Annual Gross Revenue of that Facility for the 2011 calendar year, less the following operating costs and expenses during that time period: all rent payments to the landlord of the Facility Premises, payroll expenses (including the Facility Manager), equipment repairs, utilities and advertising. For the three Representative Facilities that had expenses related to debt services during the 2011 calendar year, these debt service (interest) expenses were also deducted from the Annual Gross

Revenue of these Facilities in order to determine their respective Annual Net Incomes. The Annual Net Income does not account for any type of Royalty Fees, Fund Contributions or other fees that might be due to us under your Franchise Agreement.

2. Average Annual Net Income Per Representative Facility is calculated by taking the sum of all the Representative Facilities' Annual Net Incomes, and dividing that number by the total number of Representative Facilities. Of the Representative Facilities, four (or 66%) of the Representative Facilities had a higher Annual Net Income than the average of \$183,010, and two (or 33%) of the Representative Facilities had a lower Annual Net Income than the average for the 2011 calendar year.
3. Net Income Percentage for each Representative Facility means the Net Income Percentage of that Facility for the 2011 calendar year, and is calculated by taking the Annual Net Income of that Facility, and dividing that figure by the Annual Gross Revenue of that Facility.
4. Average Net Income Percentage is calculated by taking the sum of the Annual Net Income for all the Representative Facilities, and dividing that figure by the total Annual Gross Income for all the Representative Facilities. Of the Representative Facilities, three (or 50%) of the Representative Facilities had a higher Net Income Percentage during the 2011 calendar year than the average of 39.90%, and three (or 50%) of the Representative Facilities had a lower Net Income Percentage than this average.

Chart Set No. 9: Useable/Leasable Space Cost Structure vs. Tenant Rents

Square Feet of Useable/Leasable Space Per Representative Facility ¹		
Low	High	Average ¹
4,378	5,758	4,741

Annual Gross Revenue (for 2011 Calendar Year) Per Representative Facility ²		
Low	High	Average ²
\$345,536	\$660,565	\$458,717

Annual Gross Revenue Per Square Foot of Useable/Leasable Space (for 2011 Calendar Year) ³		
Low	High	Average ³
\$78.01	\$116.48	\$96.76

Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space ⁴		
Low	High	Average ⁴
\$16.57	\$25.10	\$20.16

Notes following Chart Set No. 9:

1. Please see Note 2 following Chart Set No. 6 for the definitions of Square Feet of Useable/Leasable Space and the calculation of Average Square Feet of Useable/Leasable Space.
2. Please see Note 1 following Chart Set No. 7 for information regarding the definition of Annual Gross Revenue and the calculation of Average Annual Gross Revenue Per Representative Facility.

3. Please see Note 5 following Chart Set No. 6 for all relevant information regarding Annual Gross Revenue Per Square Foot of Useable/Leasable Space (and the Average amongst the Representative Facilities).
4. Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space for each Representative Facility is calculated by taking the total rent paid to the landlord of the Premises for that Facility, and dividing that figure by the Square Feet of Useable/Leasable Space for that Facility. Average Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space is calculated by taking the total rent paid by our Affiliate in connection with all the Representative Facilities during the 2011 calendar year, and dividing that figure by the total Square Feet of Useable/Leasable Space of all the Representative Facilities. Of the six Representative Facilities, four (or 66%) of the Facilities had a lower Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space than the average of \$20.16, and two (or 33%) of the Facilities had a higher Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space than this average.

**THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
CONSOLIDATED CHARTS ON THE FOLLOWING PAGES**

Chart Set No. 10: Three Consolidated Charts Detailing All Information From Preceding Charts and Certain Substantiating Data^{1,3}

Representative Facility	Open Date	Years Open	Months Open	Square Feet Under Management	Useable/Leasable Square Feet	Useable/Leasable Space %	Number of Suites	Number of Tenants (as of 12/31/2011)	Tenant Occupancy Rate (as of 12/31/2011)
DFW Facility 1	9/1/1998	13.34	160.1	8,400	4,732	56.33%	40	37	93%
DFW Facility 2	2/1/2000	11.92	143.0	7,583	4,378	57.73%	37	36	97%
SA Facility 1	5/1/2002	9.68	116.2	10,200	5,758	56.45%	56	56	100%
SA Facility 2	5/1/2004	4.67	56.0	8,000	4,428	55.35%	42	41	98%
SA Facility 3	6/1/2007	4.59	55.1	10,000	5,671	56.71%	53	53	100%
SA Facility 4	7/1/2010	1.50	18.0	6,005	3,477	57.90%	32	32	100%
Total (if appropriate) ²	N/A	N/A	N/A	50,188	28,444	N/A	260	255	N/A
Average (if appropriate) ²	N/A	8.12	97.4	8,365	4,741	56.67%	43.3	42.5	98.1%

Representative Facility	Gross Construction Costs Per Square Foot	Tenant Improvement Contribution	Free Rent	Gross Concessions	Gross Construction Cost	Net Construction Cost	Net Construction Cost per Square Foot	Tenant Improvement Contribution Per Suite	Gross Construction Costs Per Suite	Net Construction Costs Per Suite
DFW Facility 1	\$51.07	\$58,800	N/A	\$58,800	\$463,784	\$404,984	\$48.21	\$1,470	\$11,595	\$ 10,125
DFW Facility 2	\$56.05	\$22,750	\$37,914	\$60,664	\$436,806	\$414,056	\$54.60	\$615	\$11,806	\$ 11,191
SA Facility 1	\$59.21	\$153,000	N/A	\$153,000	\$603,950	\$450,950	\$44.21	\$2,732	\$10,785	\$ 8,053
SA Facility 2	\$61.68	\$132,000	N/A	\$132,000	\$505,434	\$373,434	\$46.68	\$3,143	\$12,034	\$ 8,891
SA Facility 3	\$78.43	\$180,000	N/A	\$180,000	\$784,311	\$604,311	\$60.43	\$3,396	\$14,798	\$ 11,402
SA Facility 4	\$81.14	\$210,000	\$54,042	\$264,042	\$486,818	\$276,818	\$46.10	\$6,563	\$15,213	\$ 8,651
Total (if appropriate) ²	N/A	\$756,550	N/A	\$848,506	\$3,281,102	\$2,524,552	N/A	N/A	N/A	N/A
Average (if appropriate) ²	\$64.21	\$126,092	N/A	\$141,418	\$546,850	\$420,759	\$50.30	\$2,910	\$12,620	\$9,710

Representative Facility	Open Date	Annual Gross Revenue (2011 Calendar Year)	Gross Revenue Per Square Foot of Useable/Leasable Space (for 2011 Calendar Year)	Gross Rent Paid to Landlord Per Square Foot of Useable/Leasable Space	Ratio of Gross Rent Paid to Gross Revenue Per Square Foot of Useable/Leasable Space	Net Income	Net Profit Margin	Net Income Per Square Foot of Useable/Leasable Space	Net Income Per Suite
DFW Facility 1	9/1/1998	\$369,161	\$78.01	\$17.66	4.4	\$115,383	31.3%	\$24.38	\$2,885
DFW Facility 2	2/1/2000	\$345,536	\$78.93	\$16.57	4.8	\$124,979	36.2%	\$28.55	\$3,378
SA Facility 1	5/1/2002	\$550,998	\$95.69	\$19.20	5.0	\$211,370	38.4%	\$36.71	\$3,774
SA Facility 2	5/1/2004	\$450,044	\$101.64	\$19.34	5.3	\$190,282	42.3%	\$42.97	\$4,531
SA Facility 3	6/1/2007	\$660,565	\$116.48	\$23.63	4.9	\$272,638	41.3%	\$48.08	\$5,144
SA Facility 4	7/1/2010	\$375,997	\$108.14	\$25.10	4.3	\$183,406	48.8%	\$52.75	\$5,731
Total (if appropriate) ²	N/A	\$2,752,301	N/A	N/A	N/A	\$1,098,058	N/A	N/A	N/A
Average (if appropriate) ²	N/A	\$458,717	\$96.76	\$20.16	4.8	\$183,010	39.90%	\$38.60	\$4,223

Notes to Chart Set No. 10:

1. The three Charts disclosed in Chart Set No. 10 are designed to provide you with an overview of the majority of the relevant data used to create all the other Charts in this Item 19, as well as to provide additional substantiating data.
2. Please note that both the “Total” and “Average” rows of each Chart in this set provide that the Chart will display the Total and/or Average with respect to each metric indicated in the rows “if appropriate,” which means that the correct Total or Average will be displayed only if that Total/Average was used to calculate one of the financial metrics disclosed in this Item 19. Please note that not all columns have a Total or Average because such Total/Average was not used in this Item.
3. Please contact our management if you do not understand any of the values discussed in this Section, but note that the majority of the terms set forth in the columns of these three Charts are already defined in the Notes following the first nine sets of Charts disclosed in this Item.

General Notes to this Item 19

1. Your results may vary upon the location of your Franchised Business. Your results may also vary because you will be establishing and operating a start-up business.
2. This analysis does not contain complete information concerning the operating costs and expenses that you will incur in operating your Franchised Business. Operating costs and expenses may vary substantially from business to business.
3. As previously discussed in our Notes to Chart Set No. 8, the Net Income figures do not account for your Initial Franchise Fee, as well as Royalty Fees, Fund Contributions (if a Fund is established), owner compensation/salary, healthcare, employee benefits, software licensing fees, late fees, training fees, and other fees and expenses that you may incur as a System franchisee.
4. The above figures exclude certain tax liabilities that you will be responsible for.
5. The above figures may not include all the professional fees or other administrative expenses that you might incur in connection with opening and commencing operations of your Franchised Business, including legal and accounting fees.
6. Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Franchised Business. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Franchised Business may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation.
7. Expenses and costs, as well as the actual accounting and operational methods employed by a franchisee, may significantly impact profits realized in any particular operation. Actual results will vary from Franchised Business to Franchised Business, and we cannot estimate the results of a particular Franchised Business. The revenues and expenses of your business will be directly affected by many factors, such as: (a) your Designated Territory's geographic location and population demographics; (b) advertising effectiveness based on market saturation; (c) whether you operate the business personally or hire a manager; (d) your product and service pricing; (e) vendor prices on materials, supplies and inventory; (f) employee salaries and benefits (life and health insurance, etc.); (g) insurance costs; (h) weather conditions; (i) ability to generate customers; (j) customer loyalty; and (k) employment conditions in the market.
8. Importantly, you should not consider the financial performance information presented above to be the actual potential revenues or expenses that you will realize. We do not represent that you can or will attain these revenues or margins, or any particular level of revenues or percentage of expenses. We do not represent that you will generate income, which exceeds the initial payment of, or investment in, the Franchised Business. We recommend that you make your own independent investigation to determine whether or not the Franchised Business may be profitable to you. You should use the above information only as a reference in conducting your analysis and preparing your own projected income statements and cash flow statements. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

8. Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing Facility, 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 our management by contacting our President Steve Griffey at J 'N C Real Estate Development, LLC, 11703 Huebner Road, Suite 202, San Antonio, Texas 78230 or (210) 391-3286.

**ITEM 20
OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1
System-wide Outlet Summary
For Years 2009-2011**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2009	0	0	0
	2010	0	0	0
	2011	0	0	0
Company-Owned	2009	5	5	0
	2010	5	6	+1
	2011	6	+1	+1
Total Outlets	2009	5	5	0
	2010	5	6	+1
	2011	6	+1	+1

**Table No. 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2009 to 2011**

State	Year	Number of Transfers
Total	2009	0
	2010	0
	2011	0

Table No. 3
Status of Franchised Outlets
For years 2009 to 2011

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
Total	2009	0	0	0	0	0	0	0
	2010	0	0	0	0	0	0	0
	2011	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
For years 2009 to 2011

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Texas	2009	5	0	0	0	0	5
	2010	5	1	0	0	0	6
	2011	6	1	0	0	0	7
Total	2009	5	0	0	0	0	5
	2010	5	1	0	0	0	6
	2011	6	1	0	0	0	7

Table No. 5
Projected Openings as of the Issue Date of this Disclosure Document

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Alabama	0	1	0
Florida	0	2	0
Georgia	0	2	0
Texas	2	5	0
TOTALS	2	10	0

As of the Issue Date of this Disclosure Document, we do not have any franchisees. In the future, however, we will provide a list of the names of all of our current SALONS BY JC franchisees, along with the addresses and telephones numbers of their respective franchises, in Exhibit F to this Disclosure Document.

Similarly, we do not have any franchisees that have left the System in the past fiscal year or otherwise not communicated with us in the 10 weeks prior to the Issue Date of this Disclosure Document. The name, city, state and current business telephone number (if known) of every SALONS BY JC franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the applicable 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, will be listed on Exhibit F to this Disclosure Document when applicable. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the SALONS BY JC System. There are no trademark-specific organizations formed by our franchisees that are associated with the System.

ITEM 21 FINANCIAL STATEMENTS

Our audited financial statements for our most recent fiscal year ending December 31, 2012 is attached to this Disclosure Document as Exhibit D, and our fiscal year end is December 31st. We have not been franchising for three or more years and cannot therefore provide all financials statements that would have otherwise been required in this Item.

ITEM 22 CONTRACTS

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Franchise Agreement (and Exhibits)	Exhibit B
Development Agreement (and Exhibits)	Exhibit C
State Specific Addenda	Exhibit E
Sample Termination and Release	Exhibit H
Franchisee Questionnaire/Compliance Certification	Exhibit I

ITEM 23 RECEIPTS

Exhibit J to this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to our President at the following address: Steve Griffey, J 'N C Real Estate Development, LLC, 11703 Huebner Road, Suite 202, San Antonio, Texas 78230.

EXHIBIT A

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

LIST OF STATE ADMINISTRATORS

California Department of Corporations
TOLL FREE 1-(866) 275-2677

LA Office

320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento Office

1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

San Diego Office

1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco Office

One Sansome St., #600
San Francisco, California 94104
(415) 972-8559

Florida Department of Agricultural
and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois Attorney General
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681

Kentucky Office of the Attorney General
Consumer Protection Division
P.O. Box 2000
Frankford, KY 40602
(502) 573-2200

Maryland Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202
(410) 576-6360

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198
(651) 296-6328

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P.O. Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

Secretary of the State of New York
Agent for Service of Process
41 State Street
Albany, N. Y. 12231
(212) 416-8211

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Oregon Department of Consumer
and Business Services
Division of Finance and Corporate
Securities labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

South Dakota Department of Revenue and
Regulation
445 East Capitol Avenue
Pierre, SD 57501-2017
(605) 773-5953

Statutory Document Section
Texas Secretary of State
P.O. Box 12887
Austin, TX 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P.O. Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

Wisconsin Commissioner of Securities
345 W Washington Ave., 4th Floor
Madison, WI 53703
(608) 266-8550

AGENTS FOR SERVICE OF PROCESS

Mr. Steve Griffey
J 'N C Real Estate Development, LLC
11703 Huebner Road, Suite 202
San Antonio, Texas 78230

California Commissioner of Corporations
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Minnesota Department of Commerce
85 7th Place East, Suite 500
St. Paul, MN 55101-2198

Commissioner of Corporations
One Sansome St., #600
San Francisco, California 94104

Secretary of the State of New York
41 State Street
Albany, NY 12231

Commissioner of Corporations
1515 K Street., Suite 200
Sacramento, CA 95814

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E. Boulevard Avenue
Bismarck, ND 58505

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

Director of Rhode Island
Division of Securities
Suite 232
233 Richmond Street
Providence, RI 02903-4232

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

Department of Revenue and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, SD 57501-3185

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-111
Indianapolis, IN 46204

Clerk of the State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, VA 23219

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202-2020

Director, Department of Financial Institutions
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P.O. Box 30054, 6546 Mercantile Way
Lansing, MI 48909

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

EXHIBIT B

SALONS BY JC
FRANCHISE AGREEMENT

J 'N C REAL ESTATE DEVELOPMENT, LLC
FRANCHISE AGREEMENT

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**J ‘N C REAL ESTATE DEVELOPMENT, LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the “Agreement”) is made and entered into on this ___day of _____, 20___ (“Effective Date,”) by and between: (i) J ‘N C Real Estate Development, LLC, a limited liability company with its principal place of business at 11703 Huebner Road, Suite 202, San Antonio, Texas 78230 (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

RECITATIONS

A. Franchisor and its affiliate, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the “System”) related to the establishment, development, opening, and operation of a business that provides high-end retail space in the form of individual salon suites to beauty and wellness practitioners where such practitioners can provide their respective services under the mark (each, a “Facility”).

B. Franchisor’s System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation: proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility and each individual salon suite, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that: (i) while the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C. The System and Facilities are identified by the mark SALONS BY JC, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor owns or has obtained a license to use and license others to use in connection with the System (collectively, the “Proprietary Marks”). Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Facility utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E. Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, appearance, and service to the value of the System.

F. Franchisee desires to acquire a non-exclusive franchise for the right to operate a single SALONS BY JC Facility from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G. Franchisor is willing to grant Franchisee the right to operate a Facility based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

1. ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

- A. Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document.
- B. The business venture contemplated by this Agreement involves business risks.
- C. Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson.
- D. Franchisee has received, read, and does understand this Agreement and any attachments.
- E. Franchisee understands and agrees that the commercial leasing industry is highly competitive with constantly changing market conditions.
- F. Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction.
- G. Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Franchisee either has consulted with such advisors or has deliberately declined to do so.
- H. Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee.
- I. Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects).
- J. Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when

submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Franchisee states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing.

- K. Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques.
- L. Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document given to Franchisee by Franchisor.
- M. Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing.
- N. Franchisee agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide salon suite leasing services, that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below); and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located.
- O. Franchisee agrees and acknowledges that: (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a SALONS BY JC Facility; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

2. GRANT OF FRANCHISE

- A. Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single SALONS BY JC Facility (the "Franchised Business").
- B. The Franchised Business must be operated from a single location that Franchisor reviews and approves (the "Premises"). If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") on the data sheet attached to this Agreement as Exhibit A (the "Data Sheet") wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement. Franchisee acknowledges and agrees that: (i) it does not

have any territorial rights within the Site Selection Area; (ii) Franchisor may permit other new franchisees to search for the location of their franchised facility within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines that the Site Selection Area is large enough to contain additional franchises; and (iii) potential locations for each franchised Facility, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis.

- C. Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, provided: (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor's then-current site selection criteria for the premises of a SALONS BY JC Facility; and (ii) Franchisee pays Franchisor a relocation fee amounting to Two Thousand Dollars (\$2,000) prior to Franchisor's approval of the relocation.
- D. Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisor will not open or operate, or license a third party the right to open or operate, another SALONS BY JC Facility utilizing the System and Proprietary Marks (the "Designated Territory"), for so long as Franchisee is in compliance with this Agreement. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.
- E. Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Facilities and that Franchisee does not have any right to sub-license or subfranchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Facilities, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- F. Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to: (i) open and operate, and license third parties the right to open or operate, other Facilities utilizing the Proprietary Marks and System outside the Designated Territory; (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Facilities (such as private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, direct mail or wholesale, at any location; (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Facility, located within or outside your Designated Territory, and subsequently operate (or license a third party the right to operate) these locations; (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location; and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement.

- G. Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System.

3. TERM AND RENEWAL

- A. Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years (“Initial Term”) commencing as of the Effective Date.
- B. Franchisor may submit a request to renew this Agreement for up to two additional, consecutive terms of ten (10) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
 - 1. At the time the renewal request is made, Franchisee is not in default of any provision of this Agreement, any amendment thereof or successor hereto, or any other agreement between Franchisee and Franchisor or the landlord of the Premises. Franchisee must also have complied with the terms and conditions of all the foregoing agreements during the term of this Agreement, as Franchisor determines in its reasonable discretion.
 - 2. All obligations owed by Franchisee to Franchisor, its affiliates and landlord of the Premises must have been satisfied at the time of the renewal request, and must have been timely performed throughout the term of this Agreement.
 - 3. Franchisee must execute Franchisor’s then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor’s then-current form of franchise agreement.
 - 4. Franchisee pays Franchisor a renewal fee amounting to Ten Thousand Dollars (\$10,000.00) at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal.
 - 5. Franchisee and/or the Facility Manager (as defined in this Agreement) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays a refresher training tuition fee amounting to One Thousand Dollars (\$1,000.00), which will cover the tuition for two persons to be trained over one (1) week or for whatever training schedule Franchisor is requiring for franchisees at the time of renewal. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training.

6. Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance.
7. Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor.
8. Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Facility within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly-opened SALONS BY JC Facility.

4. FEES AND PAYMENTS

- A. In consideration of the rights and license granted herein, Franchisee shall pay the following amounts:
 1. Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Forty Five Thousand Dollars (\$45,000.00) (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment.
 2. On or before the Tuesday of each week the Franchised Business is open and operating, Franchisee must pay Franchisor an ongoing royalty fee amounting to 5.5% of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business in the preceding week (the "Royalty Fee") beginning Monday when the Franchised Business opens and ending Sunday when the Franchised Business closes (the "Business Week"). Franchisee further agrees that: (i) it must pay a minimum Royalty Fee in any given calendar month the Franchised Business is open will be \$500 (the "Minimum Royalty"); and (ii) on or before the fifth (5th) of each calendar month, Franchisee must pay Franchisor the difference between the Minimum Royalty and the actual Royalty Fees paid over the preceding calendar month if the totally Royalty Fees paid during that time period were less than the Minimum Royalty. Notwithstanding anything contained in this Section, Franchisor will waive the Minimum Royalty for the first three months the Franchised Business is in operation, provided Franchisee is in compliance with all other terms of this Agreement.
 4. In the event Franchisor establishes a System-wide marketing fund (the "Fund"), Franchisor may require Franchisee to make a weekly contribution to this Fund on or before Tuesday of each week amounting to up to one percent (1%) of the Gross Sales (as defined in this Section 4(D)) generated by the Franchised Business in the preceding Business Week.

6. All other training/tuition fees, evaluation fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement.
- B. With the exception of the Initial Franchise Fee, Franchisee shall pay all fees due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the "EFT Program"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "EFT Account"). Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts. At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with: (i) Franchisee's bank name, address and account number; and (ii) a voided check from such bank account. Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account.
 - C. Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Facility, in order to obtain Gross Sales, tenant occupancy rates and other available information that Franchisor reasonably requests about the Franchised Business. Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System.
 - D. "Gross Sales" means the total revenue generated by the Franchised Business, including all revenue generated from leasing salon suites at Franchisee's Facility and all amounts paid by customers for vending, laundry and any other products and services that Franchisor authorizes Franchisee to offer and sell through the Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange, and whether these revenues are collected or uncollected. "Gross Sales" does not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment used in the operation of the Franchised Business, any sales tax or other taxes collected from customers by Franchisee and paid directly to the appropriate taxing authority, or any reduction in revenue due to coupon or promotional sales.
 - E. On or before Monday of each week, Franchisee must send Franchisor a signed Gross Sales report (a "Gross Sales Report") detailing the following information: (i) Gross Sales of the Franchised Business from the preceding Business Week; (ii) Franchisee's calculated Royalty Fee and Fund Contribution (if appropriate) based the Gross Sales from the preceding Business Week; and (iii) any other information Franchisor may require for

that reporting period. Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time. The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.

- F. If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and one-half percent (1.5%) per month, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay One Hundred Dollars (\$100.00) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.
- G. No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.
- H. In the event Franchisee fails to provide to Franchisor any financial report, Gross Sales Report or other report which Franchisee is obligated by this Agreement to provide to Franchisor when such report is due and this failure continues for a period of ten (10) days after the date when due, regardless of the date when mailed, Franchisee shall pay to Franchisor a late fee with respect to each such report in the amount of Ten Dollars (\$10.00) per day beginning with the eleventh (11th) day after the date when the report was due. The imposition of late reporting fees shall be in addition to, and not in lieu of, any other remedy available to Franchisor for failure to report.
- I. Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), and all improvements to that real estate if the Franchised Business. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.

- J. If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor, in its sole determination, may elect to waive the Royalty Fee for a period no greater than one hundred twenty (120) days commencing with the month in which the Franchisee gives Franchisor notice of the damage or loss.

5. DUTIES OF FRANCHISOR

- A. Franchisor shall offer and make available an initial training program (the “Initial Training Program”) for up to two (2) persons designated by Franchisee tuition-free, provided these individuals attend at the same time. One of the trainees must be Franchisee (or one of Franchisee’s principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, the other attendee must be Franchisee’s designated manager that will be responsible for the day to day management of the Franchised Business (the “Facility Manager”). The Initial Training Program will be conducted at Franchisor’s corporate headquarters or other facility that Franchisor designates, subject to the schedules and availability of Franchisor’s training personnel. Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor’s staff), provided Franchisee pays Franchisor its then-current initial training fee for each individual that attends in addition to the first two (2) persons (as well as any expenses incurred). Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor’s staff), provided Franchisee pays Franchisor its then-current initial training fee for each individual that attends in addition to the first two (2) persons (as well as any expenses incurred).
- B. Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor’s then-current initial training fee (as well as any expenses incurred).
- C. Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor may require Franchisee and its designated attendees to pay its then-current training tuition fee in connection with attending additional/refresher training (in addition to Franchisee’s obligation to pay for any expenses incurred). Franchisor will not require Franchisee and its management to attend more than five (5) days of additional/refresher training each year.
- D. Franchisor will loan Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the “Manuals”). Franchisor will also loan Franchisee a list of: (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the “Required Items”); (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items (collectively, the “Approved Suppliers”); and (iii) a list of those services and products that Franchisee is authorized to offer, sell or provide at and from the Franchised Business (collectively, the “Approved Products and Services”). The foregoing lists may be provided as part of the Manuals or otherwise in

writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you.

- E. Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee's selection of a Premises for the Franchised Business, including Franchisor's then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor may recommend that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee's proposed location, as well as the lease for the Premises (the "Lease") or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord's execution of Franchisor's form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee.
- F. Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Grand Opening Advertising Program (as defined and described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee's expense.
- F. Franchisor may, as it deems appropriate and advisable in its sole discretion, provide opening assistance and continuing advisory assistance in the operation of the Franchised Business. Franchisor's determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement.
- G. Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement.
- H. For so long as Franchisor has an active website containing content designed to promote the SALONS BY JC brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement. Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business.
- I. Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be sold at the Franchised Business. Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates.
- K. Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications. Franchisor is not responsible for ensuring that

the Franchised Business is being operated in compliance with all applicable laws and regulations.

- L. If established, Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement.
- M. Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable.
- N. Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O. If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within thirty (30) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor complied with all of its pre-opening and opening obligations set forth in this Agreement.
- P. Franchisor may establish and conduct an annual conference for all SALONS BY JC Facility owners and operators, and may require Franchisee to attend this conference for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages).

6. DUTIES OF FRANCHISEE

- A. Franchisee must secure a Premises within the Designated Territory within ninety (90) days of executing this Agreement, unless Franchisor agrees to an extension of time in writing. If Franchisor has designated an Approved Supplier for site selection assistance, than it is strongly recommended that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, the form of Lease must be approved by Franchisor and Franchisee must ensure that the Lease contains the following terms as a condition to Franchisor's approval thereof:
 - 1. The leased Premises will only be used as a SALONS BY JC Facility offering only salon suite services and the other Approved Products and Services that Franchisor designates;
 - 2. Franchisor has the right to enter the Premises to make any modifications necessary to protect Franchisor's Proprietary Marks;
 - 3. Upon Franchisor's request, the landlord shall supply Franchisor with a current copy of the Lease;
 - 4. The landlord will notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and provide Franchisor with an opportunity to cure the default on behalf of Franchisee within a reasonable period of time;

5. Franchisor will have the option, but not the obligation, to assume or renew the Lease and the occupancy of the business premises, including the right to sublease to another party operating a SALONS BY JC Facility, for all or any part of the remaining term of the Lease upon: (i) Franchisee's default or termination under this Agreement; or (ii) Franchisee's default, termination, or expiration (and failure to renew) of the Lease. In connection with this assumption, Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and/or other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days upon termination of Franchisee's rights under the Lease to exercise this option, which Franchisee must do in writing;
 6. The Lease may not be amended, assigned, or terminated without Franchisor's prior written approval; and
 7. For a period of two (2) years after the Lease expires or terminates for any reason, the landlord of the Premises will not enter into a lease with Franchisee for any location in the building where the Premises is located for the operation of a business that offers or leases salon space or any other products/services similar to those provided at the Franchised Business
- B. Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.
- C. Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that Facility by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.
- D. Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than nine (9) months after the date this Agreement is executed. Franchisor may recommend that Franchisee use an Approved Supplier for construction management services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.

- E. Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer and provide salon suite leasing services and the other Approved Products and Services provided at the Franchised Business.
- F. Franchisee must only offer and sell only the Approved Products and Services at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Products and Services are offered and sold without Franchisor's prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products and Services from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute.
- G. Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any other electrical or mechanical device in the Facility other than those Franchisor prescribes or approves.
- H. Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires.
- I. Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to commercial leasing/subleasing, the operation of a salon and/or the rental/leasing a individual salon suite within Franchisee's Facility to a third party.
- J. Franchisee must: (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business; (ii) ensure that all Required Items meet Franchisor's standards and specifications; and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s).
- K. If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request and pay Franchisor's then-current

product/supplier evaluation fee (the "Evaluation Fee"). At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of: (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section; and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate.

- L. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders.
- M. Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates.
- N. Franchisee and each of its management personnel must attend and successfully completed the Initial Training Program within sixty (60) days of executing this Agreement, and must pay Franchisor the appropriate initial training tuition fees for any person(s) that attend the program other than the first two (2) individuals. Franchisee must also cover all costs associated with personnel of Franchisee attending the Initial Training Program. Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's annual conference if conducted.

- O. Franchisee or at least one of Franchisee's personnel that has successfully completed the Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing. Further, at least one person that has completed the Initial Training Program must manage the Franchised Business at all times.
- P. Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed.
- Q. Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including: (i) ensuring that the Premises is maintained in a clean and orderly manner; and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every five (5) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a new SALONS BY JC Facility.
- R. Franchisee must maintain a list of all of its current and former customers, as well as copies of their respective leasing contracts, at the Premises and make such lists and contracts available for Franchisor's inspection upon request.
- S. Franchisee shall follow Franchisor's general leasing/pricing guidelines but, as an independent contractor, Franchisee may exercise flexibility in meeting competition, offering leasing specials, and adapting to local market conditions. Franchisor may request information from Franchisee that has been used to substantiate any reduction in pricing to meet market conditions.
- T. Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- U. To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee: (i) inspect the Premises; (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary; (iii) interview personnel and customers of the Franchised Business; and (iv) inspect, audit and/or copy any books, records, and agreements relating

to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these undertakings by Franchisor (if taken). If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business.

- V. Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Facility Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present. If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business. Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept.
- W. Franchisee agrees to accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and Discover.
- X. Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier.
- Y. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. Franchisee's employees must be competent, conscientious, and properly trained.

7. PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS

- A. Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor. Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks.
- B. It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor.
- C. To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to:

1. Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals; and
 2. Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor.
- E. Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.
- F. Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.
- E. Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Proprietary Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.
- F. Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein). Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein. These obligations shall continue beyond the termination or expiration of this

Agreement. If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements.

- G. No representation or warranty, express or implied, is made by Franchisor to the effect that the use of the System does not constitute an infringement upon the patent, copyright, or other proprietary rights of other persons. Franchisee hereby agrees that Franchisor shall have no liability to Franchisee in the event the System is held not to be secret or confidential or in the event that any infringement of others' proprietary rights occurs because of Franchisee's use of the System.
- H. If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor. If Franchisor changes the Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions. Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages
- I. Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing.
- J. Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks.
- K. Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the name SALONS BY JC or any name similar to it. Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing. If Franchisee fails to take these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

- L. Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.
- M. With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that:
1. Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page;
 2. Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent; and
 3. Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.
- N. Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.
- O. Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution.
- P. Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided: (i) such use is in full compliance with Franchisor's standards and specifications; and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement

negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section 7.

- Q. In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees:
1. To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the internet except as approved in writing by Franchisor; and
 2. To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time.

8. OPERATIONS MANUALS AND CONFIDENTIAL/PROPRIETARY INFORMATION

- A. In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.
- B. Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.
- C. In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business.
- D. The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal. Franchisor's trade secrets and proprietary information include the following:
1. The Manuals;
 2. Information that relates in any manner to Franchisor's business or the System, including without limitation, information relating to Franchisor's marketing materials and methods whether oral or reduced to writing, that is not generally known to, or readily ascertainable by, other persons who might derive economic benefit from its disclosure or use; and

3. Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the “Proprietary Information”).
- E. Franchisee acknowledges and agrees that the Proprietary Information and any business goodwill of the Franchise are Franchisor’s sole and exclusive property and that Franchisee will preserve the confidentiality thereof. Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Proprietary Information will be immediately turned over by Franchisee, at Franchisee’s sole expense, to Franchisor or to Franchisor’s authorized representative.
 - F. Excepted from Proprietary Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as hereinafter defined) is information which:
 1. Becomes publicly known through no wrongful act of Franchisee or Restricted Persons; or
 2. Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully known to them without confidential restriction from a source other than Franchisor.
 - G. Franchisee shall at all times treat the Proprietary Information as confidential and shall use all reasonable efforts to keep such information secret and confidential. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee’s employees. Franchisee shall not, at any time without Franchisor’s prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
 - H. Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Proprietary Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, spouses of employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Proprietary Information (collectively, “Restricted Persons”) execute Franchisor’s prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the “Confidentiality and Non-Competition Agreement”). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee’s spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor’s request.

- I. Franchisor will loan one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J. In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions. Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Out-of-date pages must be returned to Franchisor immediately upon replacement. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

9. ADVERTISING

- A. Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all SALONS BY JC Facilities operating under the System. Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.
- B. All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have thirty (30) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this thirty (30) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.
- C. Franchisee must spend a minimum of Ten Thousand Dollars (\$10,000) to promote and advertise the grand opening of the Franchised Business within the Designated Territory from the time Franchisee begins building out or constructing the Franchised Business at the Premises through the thirty (30) day period following the grand opening of the

Franchised Business to the public (the “Grand Opening Advertising”). If Franchisor collects any portion of the Grand Opening Advertising, it will only do so in order to pay its out-of-pocket costs to implement the Grand Opening Advertising campaign on Franchisee’s behalf.

- D. In addition to Grand Opening Advertising, Franchisee must expend a minimum of \$1,000 each month (or \$12,000 cumulatively each year) the Franchised Business is open and operating on advertising and marketing the Franchised Business within the Designated Territory and surrounding area (the “Local Advertising Requirement”). Upon Franchisor’s request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing. Franchisee must ensure that the Franchised Business is listed in the yellow pages and appropriate Internet-based directories that Franchisor designates.
- E. Franchisor reserves the right to establish a System-wide advertising and marketing Fund designed to promote the System, Proprietary Marks and SALONS BY JC brand generally. If such a Fund is established, Franchisor may require Franchisee to contribute to this Fund on a weekly basis in an amount equal to one percent (1%) of the Gross Sales of the Franchised Business as described in Section 4. Any amounts Franchisee is required to contribute to the Fund will be credited towards Franchisee’s Advertising Fee requirements. All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund. The Fund will be maintained and administered by Franchisor or Franchisor’s designee as follows:
1. Franchisor will use Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services.
 2. Franchisor is not obligated to spend monies from the Fund in any particular Franchisee’s market in proportion to the payments to the Fund made by the Franchisee in that market. Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally.
 3. The Fund may be used to meet any and all costs of maintaining, administering, directing, and preparing advertising. This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor’s Website, employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to the SALONS BY JC Facilities operating under the System. These costs may include the proportionate salary share of Franchisor’s employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs. No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund.

6. Franchisor shall administratively segregate all contributions to the Fund on its books and records. All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof. Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any one (1) fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.
 7. Franchisor shall, on an annual basis, account for the operation of the Fund and prepare an audited financial statement evidencing such accounting, which will be available to Franchisee upon its written request ninety (90) days after the Franchisor's fiscal year end. Franchisor may dissolve the Fund at any time after it is established.
- F. Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Facilities, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor.
- G. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, MySpace, LinkedIn, Plaxo, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.
- H. Franchisor may establish regional advertising cooperatives that are comprised of multiple Facility owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed Franchisee's Local Advertising Requirement each month. All

amounts paid to a Cooperative will be credited towards Franchisee's Local Advertising Requirement.

10. ACCOUNTING AND RECORDS

- A. Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents).
- B. Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must: (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit; and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts.
- C. Franchisee shall record all transactions and Gross Sales of the Franchised Business on a Computer System that is approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement.
- D. Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement.

- E. At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects that Franchisee is involved in or working with.
- F. Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct.
- G. Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor: (i) a signed Gross Sales Report as described more fully in Section 4 of this Agreement on or before Monday of each week; (ii) on or before the twentieth (20th) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month; (iii) within sixty (60) days of each calendar quarter, an unaudited balance sheet reflecting the financial position of the Franchised Business as of the end of that calendar quarter; (iv) within sixty (60) days of Franchisor's request, a financial statement that details the total assets and liabilities of the Franchised Business (and, if appropriate Franchisee and personal guarantors under this Agreement); (v) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year; and (vi) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request.
- H. In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end.
- I. In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any change to: (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business; and (ii) Franchisee's partners, officers, directors, as well as any of the designated managers that manage the day-to-day operations of the Franchised Business. Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change.

11. INSURANCE AND INDEMNIFICATION

- A. Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not). This insurance shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. The type of insurance will include, but are not necessarily limited to:

1. Employer's liability and workers' compensation as prescribed by law;
2. Comprehensive general liability covering the operation of the Franchised Business with a minimum of \$2,000,000 total coverage and \$1,000,000 coverage per incident (or greater amount);
3. Comprehensive fire legal liability;
4. Comprehensive and liability coverage for any owned and non-owned (leased) motor vehicles used in connection with the Franchised Business; and
5. Any other coverage that Franchisor periodically requires to satisfy insurance-related obligations.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days' prior written notice to Franchisor of a policy's material modification or cancellation. The cost of Franchisee's premiums will depend on the insurance carrier's charges, terms of payment, and Franchisee's insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days' prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement.

- B. If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must: (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid); and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf.
- C. Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's ownership, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate

reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

12. INDEPENDENT CONTRACTOR

- A. In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B. It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This SALONS BY JC Facility is independently owned and operated pursuant to a license agreement."

13. TRANSFER AND ASSIGNMENT

- A. **No Transfer by Franchisee Without Franchisor's Approval.** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.
- B. **Death or Disability.**
 - 1. In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if: (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates; and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.
 - 2. Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate

the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.

- C. **Ownership.** In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur: (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest; or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).
- D. **Right of First Refusal.** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

- E. **Conditions for Approval.** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement upon satisfaction of the following occurrences:
1. All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied;
 2. Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms;
 3. Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities;
 4. Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement;
 5. The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to conduct the business to be transferred; and has adequate financial resources and capital to meet the performance obligations under this Agreement; however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours;
 6. The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement;
 7. Franchisee or transferee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000);
 8. The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor a tuition training fee of One Thousand Dollars (\$1,000) for transferee and one other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the initial training program);

9. Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement;
10. The transferee must demonstrate that is has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business;
11. To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer;
12. The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises;
13. The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement;
14. Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document; and
15. Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder.

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not constitute a waiver of any claims Franchisor may have against the transferring party.

F. Transfer from an Individual Franchisee to Business Entity. If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business; (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company; (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder; and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

- G. **Franchisor's Right to Transfer.** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

14. COVENANTS

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

- A. **During the Term of this Agreement.** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Facility Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Facility Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1. Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to or have any interest in or involvement with, any other business that offers or provides, or grants franchises or licenses a third party the right to operate any business that offers or provides, the leasing, subleasing or rental of individual salon suites and/or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (collectively, a "Competing Business"). For purposes of this Agreement, a Competing Business does not include: (i) any business operated by Franchisee under a Franchise Agreement with Franchisor; or (ii) any business operated by a publicly-traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest;
2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or
3. Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

- B. **After the Term of this Agreement.**

1. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business competing in whole or in part with Franchisor granting franchises or licenses for businesses that engage in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair

stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility.

2. For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:
 - a. Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in or involvement with any other Competing Business: (i) at the Premises; (ii) within the Designated Territory; or (iii) within a forty (40) mile radius of the perimeter of the Designated Territory being granted hereunder or any other designated territory licensed by Franchisor to a SALONS BY JC Facility as of the date of expiration or termination of this Agreement; or
 - b. Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment.

C. It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 15 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 15 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation of this Section 15 shall be tolled during any default under this Section 14.

D. Franchisee must ensure that all management personnel of the Franchised Business, as well as any of Franchisee's employees that have access to Franchisor's Proprietary Information and any officers, directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.

- E. Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

15. DEFAULT AND TERMINATION

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination under any state franchise laws or regulations that might apply to the operation of the Franchised Business.

- A. This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following:
1. The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law;
 2. A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days;
 3. A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee;
 4. A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed;
 5. A final judgment in excess of Ten Thousand Dollars (\$10,000.00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment; or
 6. Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof.
- B. Franchisor has the right to terminate this Agreement upon notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults:
1. If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business,

including without limitation, any misrepresentation made in Franchisee's franchise application;

2. If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement;
3. If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured;
4. If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement;
5. If Franchisee misuses the Proprietary Marks or Proprietary Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Proprietary Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee);
6. If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business;
7. If Franchisee or any of Franchisor's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement;
8. If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates);
9. If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement;
10. If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor: (i) failure to offer only those Approved Products and Services that Franchisor authorizes at the Franchised Business; (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business; or (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates;
11. If Franchisee voluntarily or otherwise abandons the Franchised Business. For purposes of this Agreement, the term "abandon" means: (i) failure to actively

operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent; or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals;

12. If Franchisee fails to provide Franchisor with access to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor;
13. If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed;
14. If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business;
15. If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises;
16. If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith;
17. If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits;
18. If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period; or
19. If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice; operates the business in a manner that presents a health or safety hazard to its employees or customers; or if Franchisee loses its approval from any city, state, or other regulatory agency to operate a business that provides salon suite leasing services.

- C. Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee: (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised

Business as set forth in the Manuals; and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor.

- D. In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, upon a failure to cure any default within the applicable time period (if any), Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

16. POST-TERM OBLIGATIONS

Upon the expiration or termination of this Agreement, Franchisee shall immediately:

- A. Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of Franchise at or with respect to the Premises;
- B. Return to Franchisor the Manuals and all trade secrets, Proprietary Materials and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing; provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law;
- C. Take such action as may that Franchisor designates to: (i) provide the then-current and up-to-date customer list and contracts to Franchisor; and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as all white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F.
- D. Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest; cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System; and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the

Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass;

- E. Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement;
- F. Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days notice of termination or scheduled expiration of the franchise; and
- G. Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances).

17. TAXES AND INDEBTEDNESS

- A. Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business.
- B. Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business.

18. WRITTEN APPROVALS; WAIVERS; FORMS OF AGREEMENT; AMENDMENT

- A. Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request.
- B. No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee; no delay, forbearance, or omission by Franchisor to act or give notice of default or to

exercise any power or right arising by reason of such default hereunder; and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement.

- C. No warranty or representation is made by the Franchisor that all SALONS BY JC franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D. Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E. Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

19. ENFORCEMENT

- A. In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.
- B. The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C. Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- D. If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under

this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20. NOTICES

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below:

To Franchisor: J 'N C Real Estate Development, LLC
Attn: Steve Griffey
1703 Huebner Road, Suite 202
San Antonio, Texas 78230

With a copy to: Lane J. Fisher, Esq.
Fisher Zucker, LLC
21 South 21st Street
Philadelphia, PA 19103

To Franchisee: _____

Any notice complying with the provisions hereof will be deemed delivered at the earlier of: (i) three (3) days after mailing; or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

21. GOVERNING LAW AND DISPUTE RESOLUTION

- A. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to this state's conflict of laws principles.
- B. Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C. At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first

resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place in San Antonio, Texas under the auspices of the American Arbitration Association (“AAA”), in accordance with AAA’s Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor’s rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Proprietary Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee’s payment obligations under this Agreement.

- D. Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee’s violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Franchisee’s use of the Proprietary Marks and Proprietary Information (including any proprietary software used in connection with the Franchised Business); (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Franchisee’s obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor’s rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor’s franchise system or threatens other franchisees of Franchisor. Franchisee’s only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.
- E. Except for those claims described in Section 21(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. Franchisee acknowledges that this Agreement has been entered into in the State of Texas, and that Franchisee is to receive valuable and continuing services emanating from Franchisor’s

headquarters in Texas, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Texas as set forth in this Section.

- F. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H. Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I. Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J. Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.
- K. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY

TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES.

- L. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

22. SEVERABILITY AND CONSTRUCTION

- A. Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision. In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision. Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof. Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable.
- B. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument.
- C. The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement. All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require. The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement.

23. ACKNOWLEDGMENTS

- A. Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by

this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document (“FDD”), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.

- B. Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor’s obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor’s sole responsibility and none of Franchisor’s agents, representatives, nor any individuals associated with Franchisor’s franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor’s representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement under seal on the date first written above.

FRANCHISOR:

J 'N C REAL ESTATE DEVELOPMENT, LLC

By: _____

Print Name: _____

Title: _____

Date: _____

FRANCHISEE:

IF AN INDIVIDUAL:

By: _____

Print Name: _____

Date: _____

**IF A PARTNERSHIP,
CORPORATION, OR OTHER
ENTITY:**

By: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT
DATA SHEET AND STATEMENT OF OWNERSHIP

1. SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area:

2. PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises:

3. PROTECTED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below):

4. Franchisee Contact Person. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____

Daytime Telephone No.: _____

Evening Telephone No.: _____

Cellular Telephone No.: _____

Facsimile No.: _____

E-mail Address: _____

5. Statement of Ownership. If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual:

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this ____ day of _____, 20____.

FRANCHISEE

By: _____

Name: _____

Title: _____

FRANCHISOR

**J 'N C REAL ESTATE DEVELOPMENT,
LLC**

By: _____
Steve Griffey, President

**OWNERS
(SHAREHOLDERS/MEMBERS/PARTNERS/ETC.)**

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

By: _____

Name: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

NOTE: IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC.) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY. IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY.

ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to J 'N C Real Estate Development, LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named _____ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed.

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing J 'N C Real Estate Development, LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation: (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement; (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement; (iii) those obligations related to confidentiality, non-disclosure and indemnification; and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement.

ARTICLE II CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Proprietary Information, trade secrets and/or confidential information, including without limitation: methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor as its affiliates have developed (the "System") for the establishment and operation of a SALONS BY JC franchised business (hereafter, a "Franchised Business"); Franchisor's System standards and specification for the furniture, fixtures, equipment, supplies and inventory to be used in connection with the establishment and operation of a Franchised Business; the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business, as well as the individual salon suites located within the Franchised Business; any proprietary software that is necessary for the operation of the Franchised Business; System standards and specifications for the marketing and sale of all products and services offered at the Franchised Business, including without limitation any proprietary products or services Franchisor has developed; Franchisor's proprietary Operations Manual and other instructional manuals, as well as any

training materials and information Franchisor has developed for use in connection with the System; information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"); as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, "Confidential Information"). You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation: Franchisor's copyrighted materials; price marketing mixes related to the offer and sale leasing services and other Approved Services and Products (as defined in the Franchise Agreement); standards and specifications for providing the Approved Services and Products and other merchandise or services offered or authorized for sale by System franchisees; methods and other techniques and know-how concerning the of operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement. You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section: (i) former, current and prospective customer information, including customer names and addresses, customer leasing histories and contracts/agreements (collectively "Customer Lists"), and (ii) sources and pricing matrices of any approved or designated suppliers; and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential.

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed. Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows:

1. During the Term of the Franchise Agreement and this Guaranty. During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

1.1. Own, maintain, engage in, lend money to, extend credit to, have any interest in, or be employed as an officer, director, executive, or principal of any other business that: (i) offers, sells or provides salon suite leasing services similar to those provided by the Franchised Business and/or any other SALONS BY JC business; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that offer or engage in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (each, a "Competing Business"); provided, however, that this Section does not apply to your operation of a SALONS BY JC franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly-traded company.

1.2. Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

1.3. Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform,

directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System.

2. After the Term of This Agreement.

2.1. For a period of two years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in granting franchises or licenses, or establishing joint ventures, for businesses that offer or engage in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility.

2.2. For a period of two years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

2.2.1. Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas: (i) at the Premises of the Franchised Business; (ii) within the Designated Territory granted under the Franchise Agreement; or (iii) within a radius 40 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement, or (b) the perimeter of any other designated territory granted by Franchisor to any SALONS BY JC business as of the date of expiration, transfer or termination of this Agreement through the date of your involvement in the Competing Business;

2.2.2. Contact any of Franchisor's suppliers or vendors for any competitive business purpose; or

2.2.3. Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment.

3. Intent and Enforcement. It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living. You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty.

**ARTICLE IV
DISPUTE RESOLUTION**

1. Acknowledgment. You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system.

2. **Governing Law.** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Texas.

3. **Internal Dispute Resolution.** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4. **Mediation.** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, in San Antonio, Texas under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1. *Excepted Claims.* The parties agree that mediation shall not be required with respect to any claim or dispute involving: (i) any of your payment obligations that are past due; (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information; (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets; (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty; or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5. **Jurisdiction and Venue.** With respect to any proceeding not subject to mediation, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7. **Right to Injunctive Relief.** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest

prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8. **JURY TRIAL AND CLASS ACTION WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.**

9. **Limitation of Action.** You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10. **Punitive Damages.** You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11. **Costs and Attorneys' Fees.** Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12. **Nonwaiver.** Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13. **No Personal Liability.** You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be

ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty. Do not sign this Agreement if there is any question concerning its contents or any representations made.

14. **Severability.** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

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

16. **Successors.** References to "Franchisor" or "the undersigned," or "you" include the respective parties' heirs, successors, assigns or transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof.

PERSONAL GUARANTORS

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

EXHIBIT C TO THE FRANCHISE AGREEMENT

CONSENT AND AGREEMENT OF LANDLORD FORM AND
COLLATERAL ASSIGNMENT OF LEASE FORM

CONSENT AND AGREEMENT OF LANDLORD

The undersigned Landlord hereby:

- A. Agrees that the leased Premises will only be used in connection with the operation of Franchisee’s SALONS BY JC franchised business;
- B. Agrees that Franchisor has the right to enter the Premises to make any modifications necessary to protect Franchisor’s Proprietary Marks;
- C. Agrees to allow Franchisee, upon written request from Franchisor, to provide Franchisor with a current copy of the lease;
- D. Agrees to notify Franchisor in writing of and upon the failure of Franchisee to cure any default by Franchisee under the Lease, and also provide Franchisor with the right to cure said default under the Lease within thirty (30) days of being notified (but Franchisor is under no obligation to do so);
- E. Agrees that Franchisor will have the option, but not the obligation, to assume or renew the lease and the occupancy of the business Premises, including the right to sublease to another Franchisee, for all or any part of the remaining term of the lease, upon Franchisee’s default or termination hereunder or upon Franchisee’s default or termination or expiration of the Franchise Agreement, and in connection with said assumption Franchisor will not be obligated to pay to the landlord past due rent, common area maintenance, and other charges attributable to more than one (1) month. The landlord shall give Franchisor thirty (30) days, upon termination of Franchisee’s rights under the lease, to exercise this option;
- F. Agrees that the lease may not be amended, assigned, or sublet without Franchisor’s prior written approval;
- G. Agrees that for a period of two (2) years after termination or expiration of Franchisee’s Franchise Agreement, the landlord will not enter into a lease with the Franchisee in connection with the operation of any business that offers or provides salon suite leasing services similar to those provided by a SALONS BY JC business within the building in which the Premises is located.

Dated: _____

LANDLORD
CORPORATE SIGNATURE:

a/an _____ corporation

By: _____

By: _____

Its: _____

Its: _____

SIGNED and SEALED this ____ day of _____, 20__

_____ Notary Public

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) hereby assigns and transfers to J ‘N C Real Estate Development, LLC (“Assignee”), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Schedule 1 (the “Lease”) respecting premises commonly known as _____ (the “Premises”).

This Assignment is for collateral purposes only and except as specified herein, Assignee has no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless: (i) Assignee provides express, written notice to both Assignor and the landlord of the Premises under the Lease that Assignee is assuming all of Assignor’s rights, title and interest under the Lease pursuant to this assignment; and (ii) Assignee takes possession of the Premises demised by the Lease pursuant to the terms hereof, and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default and failure to cure (within the appropriate time period) by Assignor under the Lease or under the franchise agreement for a Franchised Business between Assignee and Assignor (the “Franchise Agreement”), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, or upon expiration or termination of the Franchise Agreement, Assignee has the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor will have no further right, title or interest in the Lease. Assignor hereby authorizes the Lessor to disclose to Assignee, upon its request, sales and other information furnished to the Lessor by Assignor.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it must elect and exercise all options to extend the term of or renew the Lease not less than 120 days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

Dated: _____

SIGNED AND SEALED this __
day of _____, 20__

EXHIBIT D TO THE FRANCHISE AGREEMENT

EFT AUTHORIZATION FORM

Bank Name: _____
ABA# : _____
Acct. No.: _____
Acct. Name: _____

Effective as of the date of the signature below, **[Franchisee Name]** (the “Franchisee”) hereby authorizes J ‘N C Real Estate Development, LLC (the “Company”) or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated _____ (the “Franchise Agreement”) for the franchised business located at: _____ (the “Franchised Business”): (i) all Royalty Fees; (ii) Fund Contributions (if a Fund is established); (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates; and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement. Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement.

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement.

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing. This authorization shall remain in full force and effect until terminated in writing by Company. **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account.

AGREED:

FRANCHISEE

[INSERT FRANCHISEE NAME]

By: _____

Name (Print): _____

Its: _____

FRANCHISOR APPROVAL

J ‘N C REAL ESTATE DEVELOPMENT, LLC

By: _____
Steve Griffey, President

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers.

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, officers, directors, general partners, members, Facility Managers and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from J 'N C Real Estate Development, LLC (the "Company") to: (i) establish and operate a SALONS BY JC franchised business (the "Franchised Business"); and (ii) use in the operation of the Franchised Business the Company's trade names, trademarks and service marks (collectively, the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of SALONS BY JC businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location: _____ (the "Premises").

1. The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation: Company's proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the "Manual"); Franchisor's proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets; information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business; financial information; any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other SALONS BY JC businesses; any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business; and any techniques, methods and know-how related to the operation of SALONS BY JC business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the "Confidential Information").

2. Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement.

3. As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement.

4. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

5. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue

not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

6. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that: (i) offers or engages in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility; or (iii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that offer or engage in the leasing/subleasing/rental of individual salon suites or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (collectively, a "Competing Business"). I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose.

6.1 *Post-Term Restrictive Covenant for Facility Manager of Franchised Business or Manager/Officers/Directors of Franchisee.* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason: (i) at or within a 40-mile radius of the Premises; or (ii) within a 40-mile radius of any other SALONS BY JC business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee.

7. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

8. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

9. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including,

without limitation, legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

10. This Agreement shall be construed under the laws of Texas. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date.

UNDERSIGNED

Signature: _____

Name: _____

Address: _____

Title: _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By: _____

Title: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1. _____, doing business as SALONS BY JC (the "Assignor"), in exchange for valuable consideration provided by J 'N C Real Estate Development, LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its SALONS BY JC franchised business located at _____ (collectively, the "Assigned Property"). The Assigned Property includes the following:

Telephone Number(s): _____

Facsimile Number(s): _____

Domain Name(s) (as permitted by Franchisor under the Franchise Agreement): _____

_____.

2. The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise. Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof.

3. Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective. Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment.

ASSIGNOR

BY: _____

Date: _____

TITLE: _____

ASSIGNEE

J 'N C REAL ESTATE DEVELOPMENT, LLC

BY: _____
Steve Griffey, President

EXHIBIT C

**SALONS BY JC
DEVELOPMENT AGREEMENT**

J 'N C REAL ESTATE DEVELOPMENT, LLC

D/B/A

SALONS BY JC

AREA DEVELOPMENT AGREEMENT

DEVELOPER

DATE OF AGREEMENT

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**SALONS BY JC
AREA DEVELOPMENT AGREEMENT**

THIS AREA DEVELOPMENT AGREEMENT (the "Agreement"), is made and entered into this _____ day of _____, 20____, by and between J 'N C REAL ESTATE DEVELOPMENT, LLC, a limited liability company formed and operating under the laws of the State of Texas whose principal business address is 11703 Huebner Road, Suite 202, San Antonio, Texas 78230, (the "Franchisor") and _____, a _____ formed and operating under the laws of the State of _____, or _____, an individual, whose principal business address is _____, (the "Developer").

WITNESSETH:

WHEREAS, as the result of the expenditure of time, effort and expense, Franchisor has created a unique and distinctive proprietary system (hereinafter the "System") for the establishment, development and operation of a SALONS BY JC Facility (the "Facility" or "Facilities") that provides high-end retail space in the form of individual salon suites to beauty and wellness practitioners where such practitioners can provide their respective services under the mark SALONS BY JC.

WHEREAS, Franchisor owns the System and the right to use the Proprietary Marks (as defined below), and grants the right and license to others to use the System and the Proprietary Marks;

WHEREAS, the distinguishing characteristics of the System include, without limitation, proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility and each individual salon suite, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility.

WHEREAS, Franchisor identifies the System and licenses the use of certain trade names, service marks, trademarks, emblems and indicia of origin, including the mark SALONS BY JC and other trade names, service marks and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use with the System (the "Proprietary Marks");

WHEREAS, Developer desires the right to develop, own and operate multiple Salons by JC Facilities under the System in a defined geographic area under a Development Schedule (the "Development Schedule") set forth in this Agreement; and

WHEREAS, Developer acknowledges that Developer has conducted an independent investigation of the business contemplated by this Agreement and recognizes that, like any other business, the nature of the business conducted as a SALONS BY JC Facility may evolve and change over time, that an investment in a SALONS BY JC Facility involves a business risk and the success of the venture is largely dependent upon Developer's business abilities and efforts.

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

1. REFERENCES AND DEFINITIONS

A. DEVELOPMENT AREA

“Development Area” means the geographic area described in Exhibit A.

B. DEVELOPMENT SCHEDULE/DEVELOPMENT PERIOD

“Development Schedule” means the schedule for Developer to open and operate a specific cumulative number of SALONS BY JC Facilities as set forth in Exhibit B to this Agreement. Each “Development Period” is the period of time for Developer to meet each specific development obligation on the Development Schedule.

C. FRANCHISE AGREEMENT

Except for the royalty fee and the advertising contributions, which shall remain the same in each franchise agreement executed pursuant to this Agreement and any extensions of this Agreement, the “Franchise Agreement” means the current form of agreements (including the franchise agreement and any exhibits, riders, collateral assignments of leases or subleases, shareholder guarantees and preliminary agreements) Franchisor customarily uses in the granting of a franchise for the ownership and operation of a SALONS BY JC Facility. Developer acknowledges that the Franchise Agreement (Exhibit C) is the current form of Franchise Agreement and shall be executed and delivered to Franchisor and shall be the form of Franchise Agreement to be executed for the first SALONS BY JC Facility to be developed under this Agreement. Franchisor, in its sole discretion, but subject to the express provisions contained herein, may modify or amend in any respect the standard form of Franchise Agreement it customarily uses in granting a franchise for a SALONS BY JC Facility. All subsequent SALONS BY JC Facilities developed under this Agreement shall be established and operated under the form of Franchise Agreement then being used by Franchisor for SALONS BY JC Facilities.

D. PRINCIPALS

The term “Principals” includes, collectively and individually, Developer’s spouse; if Developer is an individual, any officers and directors of Developer (including the officers and directors of any general partner of Developer) and any person and of any entity directly owning and/or controlling ten percent (10%) or more of Developer, or a managing member or manager of a limited liability company. The initial Principals shall be listed in Exhibit D. The Principals must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations (immediately following this Agreement) undertaking to be bound jointly and severally to all provisions of this Agreement.

2. USE OF SYSTEM

Developer acknowledges, and does not contest, Franchisor’s exclusive ownership and rights to each and every aspect of the System. Developer’s right to use the System is specifically limited to the Development Area and the terms and conditions of this Agreement and Franchise Agreements executed pursuant thereto.

3. GRANT OF DEVELOPMENT RIGHTS

A. TERM

In reliance on the representations and warranties of Developer and its Principals, Franchisor grants to Developer, and Developer hereby accepts the right and obligation to develop SALONS BY JC Facilities within the Development Area in full compliance with the terms of this Agreement, including the timely development obligations to open a specific cumulative number of SALONS BY JC Facilities over prescribed periods of time as established in the Development Schedule; and in full compliance with all obligations and provisions under Franchise Agreements entered into for the individual SALONS BY JC Facilities. Subject to the provisions contained in this Agreement, the rights granted are for a term commencing on the date of execution of this Agreement and expiring on the last day of the last Development Period on the Development Schedule. Developer acquires no rights under this Agreement to develop SALONS BY JC Facilities outside the Development Area.

B. COMMITMENT OF DEVELOPER

Franchisor has granted these rights in reliance on the business skill, financial capability, personal character and expectations of performance by the Developer and its Principals. This Agreement is for the purpose of developing and operating the SALONS BY JC Facilities and is not for the purpose of reselling the rights granted by this Agreement.

C. DEVELOPMENT PLAN

The following conditions and approvals are conditions precedent before the right of Developer to develop each SALONS BY JC Facility becomes effective. At the time Developer selects a site for each SALONS BY JC Facility, Developer must satisfy the operational, financial and training requirements, set forth below:

(1) Operational: Developer must be in substantial compliance with the material terms and conditions of this Agreement and all Franchise Agreements granted Developer. For each SALONS BY JC Facility operated by Developer, Developer must be in substantial compliance with the standards, specifications, and procedures set forth and described in the Manuals (defined in the Franchise Agreement).

(2) Financial: Developer and the Principals must satisfy Franchisor's then-current financial criteria for Developers and Principals with respect to Developer's operation of its existing SALONS BY JC Facilities, if any, and the proposed SALONS BY JC Facility. Developer must be in compliance and not been in default during the twelve (12) months preceding Developer's request for approval, of any monetary obligations of Developer to Franchisor or its affiliate under any Franchise Agreement granted under this Agreement.

D. EXECUTION OF FRANCHISE AGREEMENT

This Agreement is not a Franchise Agreement and does not grant Developer any right or license to operate a SALONS BY JC Facility, or to provide services, or to distribute goods, or any right or license in the Proprietary Marks. A Franchise Agreement must be signed by Developer and delivered to Franchisor within fifteen (15) days of delivery of the Franchise Agreement to Developer by Franchisor, as prescribed in Section 8(D) of this Agreement.

4. DEVELOPMENT RIGHTS AND OBLIGATIONS

A. RESERVATION OF RIGHTS

Franchisor (on behalf of itself and its affiliate and its subsidiaries) retains the rights, in its sole discretion and without granting any rights to Developer: (1) to itself operate, or to grant other persons the right to operate, SALONS BY JC Facilities at locations and on terms Franchisor deems appropriate outside the Development Area granted Developer, and (2) to sell the products and services authorized for SALONS BY JC Facilities under the Proprietary Marks or under other trademarks, service marks and commercial symbols through dissimilar channels of distribution and under terms Franchisor deems appropriate within and outside the Development Area, including, but not limited to, by electronic means, such as the Internet, and by web sites established by Franchisor, as we determine, in our sole discretion.

In addition, Franchisor, any other developer and any other authorized person or entity shall have the right, at any time, to advertise and promote the System, in the Development Area. Developer acknowledges and agrees that Developer is only granted the right to develop and operate SALONS BY JC Facilities within the Development Area. Accordingly, within and outside the Development Area, Franchisor and its affiliate and its subsidiaries may also offer and sell, and may authorize others to offer and sell products identified by the Proprietary Marks at or from any location.

Franchisor or any other developer or any other authorized person or entity shall have the right, at any time, to establish and operate businesses offering dissimilar products or dissimilar services within and outside the Development Area granted by the Area Development Agreement and within and outside the Designated Territory granted by a Franchise Agreement, under the Proprietary Marks and on any terms and conditions as determined by Franchisor; to acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a SALONS BY JC Facility and to franchise, license or create similar arrangements with respect to these businesses once acquired, wherever these businesses (or the franchisees or the licensees of these businesses) are located or operating, which may include within the Development Area granted by this Area Development Agreement and within the Designated Territory granted by a Franchise Agreement.

Franchisor may be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction, by a business providing products and similar services to those provided at a SALONS BY JC Facility, or by another business, even if such business operates, franchises and/or licenses competitive businesses within the Development Area granted by the Area Development Agreement and within the Designated Territory granted by a Franchise Agreement.

Franchisor has the right to own, operate and license others to own and operate other business concepts in and outside the Development Area, provided the other business concepts are not similar to a SALONS BY JC Facility utilizing the Proprietary Marks and System.

Franchisor has no obligation and will not pay Developer if it exercises any of the rights specified above within the Development Area granted by the Area Development Agreement or within the Designated Territory granted by a Franchise Agreement.

B. RIGHTS DURING DEVELOPMENT PERIODS

Except as provided below, if Developer: (1) is in compliance with the material terms and conditions contained in this Agreement, including the timely development obligations to open a specific cumulative number of SALONS BY JC Facilities over prescribed periods of time as established in Exhibit B (the "Development Schedule"); and (2) is in substantial compliance with all material

obligations under Franchise Agreements executed by Developer for individual SALONS BY JC Facilities under this Agreement; then during the Development Schedule, Franchisor: (i) will grant Developer the right to own and operate SALONS BY JC Facilities located within the Development Area pursuant to the terms of this Agreement; and (ii) will not operate (directly or through its affiliate), nor grant a franchise for the location of, any SALONS BY JC Facility within the Development Area, except for franchises granted to Developer under this Agreement, or other than through the uses and exceptions as described in Section 4(A) of this Agreement.

If Developer, for any reason within his control, fails to comply with the Development Schedule, this failure constitutes a material default of this Agreement, and Franchisor has the right to terminate this Agreement pursuant to Section 14 of this Agreement. In the event Developer fails to cure the noticed default within the time allowed under Section 14, Franchisor may terminate this Agreement and grant individual or area development franchises within the Development Area to third parties or own and operate Facilities owned by Franchisor or by the affiliate of Franchisor. Franchisor and Developer agree that the timely development of Facilities by Developer in compliance with the Development Schedule will control the rights granted Developer by this Agreement, regardless of the time period granted Developer to open a Facility pursuant to a Franchise Agreement for such Facility. Upon termination of this Agreement, all rights granted Developer revert to Franchisor, who is free to franchise any other person to use the System within the Development Area or to itself own and operate SALONS BY JC Facilities within the Development Area.

C. DEVELOPMENT OBLIGATIONS

Developer will at all times faithfully, honestly, and diligently perform his obligations under this Agreement and will continuously exert his best efforts to timely promote and enhance the development of SALONS BY JC Facilities within the Development Area. Developer agrees to open and operate the cumulative number of SALONS BY JC Facilities at the end of each Development Period set forth in the Development Schedule (see Exhibit B). Developer agrees that compliance with the Development Schedule is the essence of this Agreement.

D. RIGHT OF FIRST REFUSAL

Upon the expiration of this Agreement and provided Developer (1) is in compliance with the development obligations established in this Agreement and the Development Schedule, and (2) is in substantial compliance with the material terms of each Franchise Agreement for existing SALONS BY JC Facilities granted Developer under this Agreement, Franchisor shall offer to Developer the right to develop such additional SALONS BY JC Facilities as Franchisor may reasonably determine to be developed within the Development Area, before developing or authorizing any other person or entity to develop any SALONS BY JC Facilities in the Development Area.

In such case, Franchisor shall provide written notice to Developer of the number of SALONS BY JC Facilities to be developed and the terms of development, which will be established in a supplemental area development agreement (the "Supplemental Area Development Agreement"). Developer shall have thirty (30) days after receiving Franchisor's written notice to exercise that right by providing written notice to Franchisor of Developer's intent to exercise the right of first refusal. In order to exercise the right of first refusal, Developer must pay Franchisor the then-current development fee Franchisor charges for similar development rights and execute the Supplemental Area Development Agreement. If Developer does not exercise its right of first refusal by payment of the fee and execution of the Supplemental Area Development Agreement, Franchisor may develop and open or license others to develop and open, SALONS BY JC Facilities in the Development Area. Further, if Developer executes the Supplemental Area Development Agreement, but fails to timely open SALONS BY JC Facilities in

compliance therewith, the rights granted by the Supplemental Area Development Agreement may be terminated by Franchisor.

E. EXPIRATION OR TERMINATION

Except as set forth above in Section 4(D), after this Agreement expires or terminates for any reason, Franchisor shall have the absolute right to operate or license other persons to operate SALONS BY JC FACILITIES in the Development Area, except in those Designated Territories granted under each Franchise Agreement that Developer enters into pursuant to this Agreement.

5. FACILITIES CLOSINGS

If during the term of this Agreement, Developer ceases to operate any SALONS BY JC Facility developed under this Agreement for any reason, Developer must develop a replacement SALONS BY JC Facility to fulfill Developer's obligation to have open and in operation the required number of SALONS BY JC Facilities upon the expiration of each Development Period. The replacement SALONS BY JC Facility must be open and in operation within six (6) months after Developer ceases to operate the SALONS BY JC Facility to be replaced. If, during the term of this Agreement, Developer, in accordance with the terms of any Franchise Agreement for a SALONS BY JC Facility developed under this Agreement, transfers its interests in that SALONS BY JC Facility, a transferred SALONS BY JC Facility shall continue to be counted in determining whether the Developer has complied with the Development Schedule so long as it continues to be operated as a SALONS BY JC Facility. If the transferred SALONS BY JC Facility ceases to be operated as a SALONS BY JC Facility, it will not count toward Developer's compliance with the Development Schedule.

6. PROCEDURE FOR EXERCISING DEVELOPMENT RIGHTS

Developer shall enter into a separate Franchise Agreement with Franchisor for each SALONS BY JC Facility developed pursuant to this Agreement. The Franchise Agreement to be executed for the first SALONS BY JC Facility to be developed by Developer under this Agreement must be executed and delivered to Franchisor concurrently with the execution and delivery of this Agreement and must be in the form of the Franchise Agreement attached as Exhibit C. All subsequent SALONS BY JC Facilities developed under this Agreement must be established and operated under the then-current form of Franchise Agreement then being used by Franchisor for SALONS BY JC Facilities under the System. The then-current form of Franchise Agreement may differ from the form attached as Exhibit C; however, the provisions regarding royalty fees and advertising contributions shall remain as established in Exhibit C. Developer must execute the then-current form of Franchise Agreement for each SALONS BY JC Facility to be developed under this Agreement.

Developer acknowledges that the projected opening date for each SALONS BY JC Facility set forth in the Development Schedule are reasonable requirements. Developer shall execute a Franchise Agreement for each Facility within fifteen (15) days of the earlier of (1) the commencement of construction of the Facility; or (2) the execution of either a lease or purchase contract for the premises.

7. DUTIES OF DEVELOPER

A. ORGANIZATION OF DEVELOPER

Developer makes the following representations, warranties and covenants and accepts the following continuing obligations:

(1) If Developer is a corporation, limited liability company or a partnership, Developer represents, warrants and covenants that: (i) Developer is duly organized and validly existing under the state law of its formation; (ii) Developer is duly qualified and is authorized to do business in each jurisdiction which requires such qualification; (iii) the execution and performance of this Agreement are within Developer's corporate power, if Developer is a corporation or if Developer is a partnership permitted under Developer's written partnership agreement, or if Developer is a limited liability company, permitted under the management agreement;

(2) If Developer is a corporation, copies of its articles of incorporation, bylaws, other governing documents, any amendments, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, shall be promptly furnished to Franchisor. If Developer is a partnership, copies of Developer's written partnership agreement and other governing documents shall be promptly furnished to Franchisor before the execution of this Agreement. If Developer is a limited liability company, copies of Developer's organizational documents and management agreement shall be promptly furnished to Franchisor;

(3) If Developer is a corporation, partnership, limited liability company, or other form of legal entity other than an individual, Developer shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Developer or, if Developer is a partnership, Developer shall maintain at all times a current list of all owners of an interest in the partnership, or, if Developer is a limited liability company, it shall maintain at all times a current list of managers and members of the limited liability company;

(4) If, after the execution of this Agreement, any person ceases to qualify as one of the Developer's Principal's (as defined in Section 1), or if Developer believes in the event any individual later qualifies as one of Principals, Developer shall promptly notify Franchisor and that person shall execute any documents (including, as applicable, this Agreement) as Franchisor may reasonably require;

(5) If Developer is a corporation, Developer must maintain stop-transfer instructions against the transfer of its records of any equity security and each stock certificate of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 7 shall not apply to a publicly held corporation. If Developer is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to and that further assignment or transfer is subject to restrictions imposed on assignments by this Agreement. If Developer is a limited liability company, its articles of organization and operating agreement must provide that ownership interests are subject to restrictions on transfers imposed on assignments by this Agreement;

(6) Developer agrees to maintain at all times throughout the term of this Agreement, sufficient working capital to fulfill its obligations under this Agreement; and

(7) Each Principal who has right, title, or interest of ten percent (10%) or more in the ownership of Developer, must each execute and bind themselves to the confidentiality and noncompetition covenants set forth in the Confidentiality Agreement and Ancillary Covenants Not to Compete (Exhibit E). The Principals agree to jointly and severally guarantee the performance of all of Developer's obligations, under the terms of this Agreement, except the obligation to open Facilities.

B. REQUIREMENTS OF REPRESENTATIVE

Upon the execution of this Agreement, Developer must designate and retain an individual throughout the term of this Agreement to act on behalf of Developer in all transactions with Developer concerning Developer's obligations under this Agreement (the "Representative"). If Developer is an individual, Developer must perform all obligations of the Representative. The Representative must use reasonable efforts to do the following, during the entire period he serves in that capacity: (1) maintain a direct or indirect ownership interest in the Developer; (2) devote substantial time and reasonable efforts to the supervision and conduct of the business contemplated by this Agreement and execute this Agreement as one of the Principals; and (3) meet Franchisor's standards and criteria for a Representative as set forth in the Manuals or otherwise in writing by Franchisor. If the Representative or any designee is not able to continue to serve in the capacity of Representative or no longer qualifies, Developer must promptly notify Franchisor and designate a replacement.

C. DISCRIMINATION PROHIBITED

In seeking any individual to serve in a managerial position or in the employment of any person or in providing service to the customers and patrons of each Facility, Developer shall not unlawfully discriminate in any manner whatsoever against any individual.

D. BEST EFFORTS

Developer must use his best efforts to substantially comply with all requirements of federal, state and local rules, regulations and orders.

8. SITE SELECTION, LEASES, FRANCHISE AGREEMENT

A. SELECTION OF SITE BY DEVELOPER

Developer assumes all costs, liabilities, expenses and responsibilities for locating, obtaining, financing and developing sites for SALONS BY JC Facilities, and for constructing and equipping SALONS BY JC Facilities at those sites. The selection of a site and the development of a Facility at any site is the responsibility of Developer. The selection of a site by Developer is subject to our approval and must be in compliance with Franchisor's site selection procedures and its standards for demographic characteristics, parking, traffic patterns and the predominant character of the neighborhood, and other commercial characteristics of the site and any other factors Franchisor may consider relevant in reviewing a site selected by Developer. Developer must not enter into a binding commitment with a prospective seller or lessor of real estate with respect to the site for a Facility until Franchisor has approved the proposed site. Developer specifically acknowledges that the selection of a site by Developer in compliance with Franchisor's site selection procedures and the approval of a site by Franchisor does not constitute a representation, promise or guarantee by Franchisor that the site and the Facility to be operated at that site will be profitable or successful. Developer acknowledges that factors governing the success of a SALONS BY JC Facility are unpredictable and beyond Franchisor's control. Franchisor is not responsible to Developer or to any other person or entity if a site approved by Franchisor fails to meet Developer's expectations for revenue or operational criteria.

B. DEMOGRAPHIC INFORMATION

Before acquiring a site for any Facility by lease or purchase, Developer must locate a site for the Facility that satisfies the site selection guidelines Franchisor provides to Developer and must submit to Franchisor, in the form Franchisor specifies, a description of the site, a demographic study and other

information and materials Franchisor may reasonably require and shall represent in writing that Developer has the option or other firm commitment to obtain the site. Franchisor will review information provided by Franchisee for the site which may include the population of the work force or residents, character of the neighborhood, household income, ingress and egress, and trade area. If on-site evaluations by Franchisor are requested by Developer or determined to be necessary by Franchisor, Developer must reimburse Franchisor for the reasonable expenses Franchisor incurs for the on-site evaluations, including, but not limited to, the cost of travel, lodging, meals and wages of Franchisor's representatives and employees.

C. LEASE OR PURCHASE OF SITE

Developer shall not make any binding commitment to purchase or lease real estate for a proposed site for a SALONS BY JC Facility until the proposed site has been approved by Franchisor and a Franchise Agreement has been executed by Franchisor and Developer (or its affiliate) for a Facility at such site. Developer shall provide Franchisor with a copy of either the proposed contract of sale or lease relating to the site before the Franchise Agreement is executed.

D. FRANCHISE AGREEMENT

After a proposed site has been approved by Franchisor, a Franchise Agreement shall be executed for Developer (or its affiliate) to operate a SALONS BY JC Facility at such site. Franchisor will deliver a Franchise Agreement, in the then-current form, to Developer for execution by Developer (or its affiliate). The Franchise Agreement must be executed and returned to Franchisor within fifteen (15) days after Franchisor's delivery. If Developer fails to timely execute the Franchise Agreement, Franchisor may, at its sole discretion, revoke its approval of the site and its offer to grant Developer a franchise to operate a SALONS BY JC Facility at the site.

9. DEVELOPMENT FEE

Concurrently with the execution of this Agreement, Developer must pay to Franchisor a nonrefundable area development fee equal to _____ (the "Development Fee"). The Development Fee is deemed fully earned by Franchisor upon execution of this Agreement in consideration of lost development opportunities and is nonrefundable. Developer will not be required to pay any additional initial franchise fee for each Facility opened pursuant to this Agreement upon executing a Franchise Agreement for that Facility.

10. SUPERIORITY OF INDIVIDUAL FRANCHISE AGREEMENT

Developer understands and agrees that any and all individual Franchise Agreements executed by Developer and Franchisor for SALONS BY JC Facilities within the Development Area are independent of this Agreement. The continued effectiveness of any Franchise Agreement does not depend on the continued effectiveness of this Area Development Agreement. If any conflict arises with this Agreement and any Franchise Agreement, the Franchise Agreement controls, has precedence and superiority.

11. COVENANTS

A. Developer and the Representative covenant that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Developer and the Representative must devote substantial time, energy and best efforts to the management and operation of the development activities required under this Agreement.

B. Developer acknowledges that, as a participant in Franchisor's System, Developer will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Developer agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees and developers.

(1) During the term of this Agreement, neither Developer, its principals, owners, guarantors or key employees, nor any immediate family of Developer, its principals, owners, guarantors or key employees, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to or have any interest in or involvement with, any other business that offers or provides, or grants franchises or licenses a third party the right to operate any business that offers or provides, the leasing, subleasing or rental of individual salon suites and/or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility (collectively, a "Competing Business");

(b) Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee or developer, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat; or

(c) Divert, or attempt to divert, any prospective customer to a Competing Business in any manner.

(2) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its principals, owners and guarantors, nor any member of the immediate family of Developer, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any Competing Business.

(3) For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Developer, its principals, owners and guarantors, nor any member of the immediate family of Developer, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation:

(a) Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to or have any interest in or involvement with any other Competing Business: (i) within the Development Area; or (ii) within a forty (40) mile radius of the perimeter of the Development Area being granted hereunder or any other designated territory or development area licensed by Franchisor to a SALONS BY JC Facility as of the date of expiration or termination of this Agreement; or

(b) Solicit business from customers of Developer's former Facilities or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee or developer to discontinue employment.

C. It is the parties' intent that the provisions of this Section 11 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 11 by Developer, any of Developer's principals, or any member of the immediate family of Developer or Developer's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Developer acknowledges that the covenants contained herein are necessary to protect the goodwill of other System franchisees and developers, and the System. Developer further acknowledges that covenants contained in this Section 11 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Developer agrees that in the event of the actual or threatened breach of this Section 11, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Developer and the Principals agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 11. Developer acknowledges and agrees on Developer's own behalf and on behalf of the persons who are liable under this Section 11 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 11 in no way prevent any such person from earning a living. Developer further acknowledges and agrees that the time limitation of this Section 11 shall be tolled during any default under this Section 11.

D. Developer must ensure that all management personnel of Developer's Facilities opened under this Agreement, as well as any of Developer's employees that have access to Franchisor's confidential information and any officers or directors of Developer, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement. Developer must furnish Franchisor a copy of each executed agreement.

E. Developer hereby agrees that the existence of any claim Developer may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 11. Developer agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 11.

F. Notwithstanding the foregoing, Franchisor reserves the right, in its sole discretion, to reduce the period of time or geographic scope of the non-competition covenants set forth in this Section 11 and in Exhibit E, by written notice to Developer.

12. RELATIONSHIP OF THE PARTIES

A. The parties agree that this Agreement does not create a fiduciary relationship between them, that Developer is an independent contractor and must at all times represent itself as an independent contractor. This Agreement does not create either party as an agent, legal representative, subsidiary, joint venturer, partner, employee or joint employer. Developer shall hold itself out to the public as an independent contractor operating pursuant to this Agreement. Developer agrees to take any action necessary to that end, including without limitation, exhibiting a notice on signage and member contracts, as required by Franchisor as to content and manner of disclosure.

B. Developer understands and agrees 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 under this Agreement as a result of any such action, or for any act or omission of Developer in the conduct of its business pursuant to this Agreement or any claim or judgment arising therefrom.

C. Developer and each of the Principals shall, at all times, indemnify and hold harmless Franchisor and its affiliate, successors and assigns and the officers, directors, shareholders, agents, representatives and employees of each of them (“Indemnitees”) from all losses and expenses incurred in connection with any formal or informal action, suit, proceeding, claim, demand, investigation or inquiry or any settlement thereof, which arises out of or is based upon the action or negligence of Developer or any Principal in any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation of any Licensed Mark or other proprietary right owned by Franchisor;

(2) Claims of sexual harassment or discrimination by Developer’s employees or by a guest at the Facility;

(3) The violation of any federal, state or local law, regulation, rule, standard or directive, or any industry standard, including without limitation, health, sanitation and safety laws and regulations;

(4) Libel, slander or any other form of defamation of Franchisor or the System, by Developer or the Principals;

(5) The violation or breach by Developer or any of the Principals of any warranty, representation, agreement or obligation of this Agreement or any Franchise Agreement; and

(6) Acts, errors or omissions of Developer or any of its agents, servants, employees, contractors, partners, affiliates or representatives.

D. Developer and each of the Principals agree to give Franchisor immediate notice of any such action, suit, proceeding, claim, demand, inquiry or investigation.

E. Franchisor may, at any time and without notice, as it, in its reasonable discretion, consent, or agree to settlement, or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation.

F. All losses and expenses incurred under this Section 12 shall be chargeable to and shall be paid by Developer or any of the Principals pursuant to this Section 12, regardless of any actions, activity or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity or defense. However, Franchisor will indemnify Developer from losses or expenses resulting from the direct result of Franchisor’s negligence or intentional acts.

G. The phrase “losses and expenses” shall include, without limitation, all monetary losses, compensatory, exemplary or punitive damages, fines, actual costs, expenses, lost profits, reasonable attorneys’ fees, court costs, settlement amounts, judgments, damages to Franchisor’s reputation and goodwill, costs of financing or advertising material and media costs and all expenses of recall, refunds, compensation, public notices and such other amounts incurred in connection with the matters described.

H. Developer must give Franchisor notice of any such action immediately upon Developer having received notice of any such action, claim or proceeding.

I. Under no circumstances shall Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Developer. Developer

and the Principals agree that the failure of Franchisor to pursue recovery or mitigate loss from third parties will in no way reduce the amounts recoverable from Developer or the Principals.

J. Developer and the Principals expressly agree that the terms of this Section 12 shall continue in full force and effect after the termination, expiration or transfer of this Agreement or any interest herein.

13. LICENSED MARKS

A. Developer acknowledges that Developer has no interest in or to the Proprietary Marks and Developer's right to use the Proprietary Marks is derived solely from the individual Franchise Agreements entered into between Developer and Franchisor for the purpose of operating SALONS BY JC Facilities. Developer agrees that all usage of the Proprietary Marks by Developer and any goodwill established exclusively benefits Franchisor. Developer agrees that after termination or expiration of this Agreement, Developer will not, except with respect to SALONS BY JC Facilities operated by Developer under individual Franchise Agreements, directly or indirectly, at any time or in any manner identify itself or any business as a Developer or former Developer of, or otherwise associated with, Franchisor or use in any manner or for any purpose any Licensed Mark or other indicia of a SALONS BY JC Facility or any colorable imitation.

B. Developer must not use any Licensed Mark as part of any corporate or trade names or with any prefix, suffix, or other modifying words, terms, designs, or symbols, or in any modified form, nor may Developer use any Licensed Mark in connection with any business or activity, other than the business conducted by Developer under Franchise Agreements entered into between Developer and Franchisor, or in any other manner not explicitly authorized in writing by Franchisor.

C. Developer must immediately notify Franchisor in writing of any apparent infringement of or challenge to Developer's use of any Licensed Mark, or claim by any person of any rights in any Licensed Mark or similar trade name, trademark, or service mark of which Developer becomes aware. Developer must not communicate with any person other than Franchisor and its counsel regarding any infringement, challenge or claim. Franchisor has sole discretion to take action it deems appropriate and the right to exclusively control any litigation, U.S. Patent and Trademark Office proceeding or other administrative proceeding arising out of any infringement, challenge, or claim or otherwise relating to any Licensed Mark.

D. Franchisor has registered the domain name www.salonsbyjc.com. Franchisee acknowledges that Franchisor is the lawful and sole owner of this domain name, which incorporates the trademark SALONS BY JC. Franchisee agrees not to register the trademark SALONS BY JC or any of the Proprietary Marks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar, as Internet domain names, including, but not limited to, generic and country code top level domain names available at the present time or in the future.

14. TERMINATION

A. Franchisor may terminate this Agreement for a material default of this Agreement by Developer and all rights granted herein shall automatically terminate upon written notice to Developer, upon the occurrence of any of the following:

(1) If Developer becomes insolvent, makes a general assignment for the benefit of creditors; files a voluntary petition in bankruptcy, or an involuntary petition is filed against Developer in

bankruptcy; or Developer is adjudicated bankrupt; or if a bill in equity or other proceeding for the appointment of a receiver of Developer or other custodian for Developer or assets is filed and consented to by Developer; or if a receiver or other custodian (permanent or temporary) of Developer's assets or property, or any part thereof, is appointed by a court of competent jurisdiction; or if a proceeding for a composition of creditors under any state or federal law should be initiated against Developer; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer, (unless supersedeas bond is filed); or if Developer is dissolved; or if execution is levied against Developer; or if a suit to foreclose any lien or mortgage against the premises or Facility is levied; or if the real or personal property of Facility is sold after levy thereon by any sheriff, marshal or law officer;

(2) If Developer or any of its Principals fail to comply with Section 11 of this Agreement;

(3) If Developer or a Principal discloses the contents of the Manuals or other confidential information contrary to this Agreement;

(4) If an immediate threat or danger to public health or safety results from the operation of a Facility operated by Developer under a Franchise Agreement;

(5) If Developer or a Principal has made material misrepresentations in connection with its application for the franchise;

(6) If Developer fails on three (3) or more occasions within any one (1) year period to comply with one (1) or more provisions of this Agreement, whether or not such failures to comply are cured after notice thereof is delivered to Developer; or

(7) Failure to comply with the conditions of transfer of any interest in Developer as required of this Agreement.

B. Franchisor may terminate this Agreement and all rights granted herein, upon thirty (30) days written notice to Developer, or a less time as specified below, for a material default of this Agreement, which shall constitute good cause for termination and the failure of Developer to cure the good cause for termination within the notice period. Good cause for termination shall be the occurrence of any one of the following events of default:

(1) If Developer fails to meet the development requirements set forth in the Development Schedule;

(2) If Developer fails to develop, open and operate each Facility and execute each Franchise Agreement in compliance with this Agreement;

(3) If Developer fails to designate a qualified replacement Representative;

(4) If Developer misappropriates, misuses or makes any unauthorized use of the Proprietary Marks or materially impairs the goodwill associated with the Proprietary Marks or with the System and does not cure such default following written notice from Franchisor;

(5) If Developer, fails, refuses or is unable to promptly pay when due any monetary obligation to Franchisor or its affiliate required by this Agreement, or by any Franchise Agreement or any other agreement between the parties and does not cure the monetary default within fourteen (14) days following written notice from Franchisor;

(6) If Developer fails to correct a deficiency of a health, sanitation, or safety issue after notice of such deficiency is issued by a local, state, or federal agency or regulatory authority; or

(7) If Developer fails to comply with any other material term or material condition imposed by this Agreement or any Franchise Agreement executed pursuant thereto.

C. Failure of Developer to cure the default within the specified time, or a longer period of time as applicable law may require, will result in Developer's rights under this Agreement to be terminated effective on the expiration of the notice period, and without further notice to Developer.

D. Upon termination of this Agreement, Developer has no right to establish or operate any Facility for which an individual Franchise Agreement has not already been executed by both Franchisor and Franchisee, as well as delivered to Developer, as of the date of termination. Franchisor, effective upon termination of this Agreement, shall have the absolute right and is entitled to establish, and to license others to establish, SALONS BY JC Facilities in the Development Area, except as may be otherwise provided under any Franchise Agreement which is then in effect between Franchisor and Developer.

E. No default under this Agreement shall constitute a default under any Franchise Agreement between the parties, unless Developer's acts or omissions also violate the terms and conditions of the applicable Franchise Agreement.

F. No right or remedy herein conferred upon or reserved to the Franchisor is exclusive of any other right or remedy provided or permitted by law or in equity.

15. EFFECT OF TERMINATION AND EXPIRATION

All obligations of Franchisor and Developer under this Agreement, which expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

16. TRANSFER OF INTEREST

A. BY FRANCHISOR

Franchisor has the absolute right to transfer or assign this Agreement and all or any part of its rights, duties or obligations to any person or legal entity without the consent of or notice to Developer. This Agreement shall inure to the benefit of, and be binding on the successors and assigns of Franchisor.

B. DEVELOPER MAY NOT ASSIGN WITHOUT APPROVAL OF THE FRANCHISOR

Developer understands and acknowledges that the rights and duties created by this Agreement are personal to Developer and its owners and that Franchisor has granted these rights to Developer in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of Developer and/or its owners. Unless otherwise provided with respect to an assignment to an entity controlled by Developer as provided in Section 16(D), none of these rights nor any ownership interest in Developer may be voluntarily, involuntarily, directly or indirectly, assigned, sold, conveyed, pledged, sub-franchised or otherwise transferred by Developer or its owners (including by merger or consolidation, by issuance of additional securities representing an ownership interest in Developer, by conversion of a general partnership to a limited partnership, by transfer or creation of an interest as a general partner of a

partnership, by transfer of an interest in Developer or in this Agreement in a divorce proceeding, or if Developer or an owner of Developer dies, by will, declaration of or transfer in trust or the laws of the intestate succession) without the approval of Franchisor. Any attempted assignment or transfer without such approval will constitute a breach of this Agreement and will not transfer any rights or interests to such assignee or transferee.

C. CONDITIONS FOR APPROVAL OF ASSIGNMENT

If Developer is in substantial compliance with this Agreement, Franchisor shall not unreasonably withhold its approval of an assignment or transfer contemplated by Section 16(B) so long as the proposed assignee or transferer has good and moral character, sufficient business experience and aptitude to develop and own and operate Facilities, and otherwise meets Franchisor's then-current standards for developers and Franchisees. Franchisor may require that any one or more of the following conditions be met before, or concurrently with, the effective date of any such assignment or transfer:

(1) All the accrued monetary obligations of Developer or any of its affiliates and all other outstanding obligations to Franchisor or its affiliate arising under this Agreement or any Franchise Agreement or other agreement between them and all trade accounts and any other debts to Franchisor, of whatsoever nature, prior to the transfer becoming effective shall be satisfied;

(2) Developer and its affiliates are not in material default of any substantive provision of this Agreement, any amendment hereof or successor hereto, or any Franchise Agreement granted pursuant to its terms, or other agreement between Developer or any of its affiliates and Franchisor or its affiliate;

(3) Developer and its Principals, as applicable, shall have executed a general release, in a form satisfactory to Franchisor, releasing Franchisor of any and all claims against Franchisor and its affiliate and their respective past and present partners, the past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without limitation, claims arising under or related to this Agreement and any other agreements between Developer and Franchisor, or under federal, state or local laws, rules, and regulations or orders;

(4) The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets the criteria considered by Franchisor when reviewing a prospective developer's application for development rights, including, but not limited to, Franchisor's managerial and business experience standards, that the transferee possesses good moral character, business reputation and credit rating; that the transferee has the aptitude, financial resources and capital committed for the operation of the business, and the geographic proximity of other territories with respect to which transferee has been granted development rights or of other SALONS BY JC Facilities operated by transferee, if any;

(5) The transferee shall sign a written assumption agreement, in a form prescribed by Franchisor, assuming full, unconditional, joint and several liability from the date of the transfer of all obligations, covenants and agreements of Developer in this Agreement; and, if transferee is a corporation, limited liability company or a partnership, transferee's shareholders, partners, members or other investors, as applicable, shall also execute such agreement;

(6) Developer shall pay a transfer fee of \$10,000 to Franchisor at the time of transfer;

(7) Developer acknowledges and agrees that each condition, which must be met by the transferee, is reasonable and necessary; and

(8) Developer must pay any referral fees or commissions that may be due to any franchise broker, sales agent or other third party upon the occurrence of such assignment.

Franchisor's consent to a transfer of any interest in Developer described herein 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 transferee.

D. ASSIGNMENT TO A CORPORATION OR LIMITED LIABILITY COMPANY

(1) Notwithstanding the provisions of this Section 16 of this Agreement, upon thirty (30) days' prior written notice to Franchisor, and without payment of a transfer fee, Developer may assign this Agreement to a corporation or limited liability company that conducts no business other than the development and/or operation of SALONS BY JC Facilities. Developer shall be the owner of all the voting stock or interest of the corporation or limited liability company, or if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Developer before the transfer. Developer and each of its Principals, as applicable, may transfer, sell or assign their respective interests in Developer, by and amongst themselves with Franchisor's prior written consent, which consent shall not be unreasonably withheld; but may be conditioned on compliance with Section 11, except that such transfer, sale or assignment shall not effect a change in the controlling interest in Developer.

(2) Any person who is or becomes a shareholder or member of Developer or has or acquires beneficial ownership of any shares of stock equal to or greater than ten percent (10%) ownership interest in Developer must execute an agreement in substantially the form of the attached Guaranty and Assumption of Obligations undertaking to be bound jointly and severally to all provisions of this Agreement. Developer must furnish Franchisor at any time upon request a certified copy of the articles of incorporation or articles of organization and a list, in a form Franchisor requires, of all shareholders or members of record and all persons having beneficial ownership of shares of stock, reflecting their respective interests in Developer.

E. RIGHT OF FIRST REFUSAL

If Developer receives and desires to accept any bona fide offer to transfer an ownership interest in this Agreement from a third party, then the Developer shall promptly notify Franchisor in writing and send Franchisor an executed copy of the contract of transfer. Franchisor shall have the right and option, exercisable within thirty (30) days after actual receipt of such notification or of the executed contract of transfer which shall describe the terms of the offer, to send written notice to Developer that Franchisor intends to purchase the Developer's interest on the same terms and conditions offered by the third party. Closing on the purchase must occur within sixty (60) days from the date of notice by Franchisor to the Developer of Franchisor's election to purchase. If Franchisor elects not to accept the offer within the thirty (30) day period, Developer shall have a period not to exceed sixty (60) days to complete the transfer subject to the conditions for approval set forth in Section 16(C) of this Agreement. Any material change in the terms of any offer before closing shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of an initial offer. Failure of Franchisor to exercise the option afforded by this Section 16 shall not constitute a waiver of any other provision of this Agreement. If the offer from a third party provides for payment of consideration other than cash or involves certain intangible benefits, Franchisor may elect to purchase the interest proposed to be sold for the reasonable

cash equivalent, or any publicly-traded securities, including its own, or intangible benefits similar to those being offered. If the parties cannot agree within a reasonable time on the reasonable cash equivalent of the non-cash part of the offer, then such amount shall be determined by an independent appraiser designated by Franchisor, and his determination shall be binding.

F. DEATH OR DISABILITY

Upon the death or permanent disability of Developer (or the managing shareholder, managing member or partner), the executor, administrator, conservator or other personal representative of that person, or the remaining shareholders, partners or members, must appoint a competent manager that is approved by Franchisor within ninety (90) days from the date of death or permanent disability (the "90 Day Period"). Before the end of the 90 Day Period, the appointed manager must attend and successfully complete Franchisor's training program and must either execute Franchisor's then-current form of area development agreement for the unexpired term of this Agreement, or furnish a personal guaranty of any partnership, corporate or limited liability company Developer's obligations to Franchisor and Franchisor's affiliates. If the Facility is not being managed by a Franchisor approved manager during the 90 Day Period, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Developer's Facilities for and on behalf of Developer until an approved assignee is able to assume the management and operation of the Facility. Franchisor's appointment of a manager of the Facility does not relieve Developer of his obligations, and Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Facility or to any creditor of Developer for any products, materials, supplies or services purchased by the Facility during any period in which it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time.

G. PUBLIC OR PRIVATE OFFERINGS

(1) Developer acknowledges that the written information used to raise or secure funds can reflect upon Franchisor. Developer agrees to submit any written information intended to be used for that purpose to Franchisor before its inclusion in any registration statement, prospectus or similar offering circular or memorandum. This requirement applies under the following conditions: (i) if Developer attempts to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interest) and (ii) if any of its owners attempt to raise or secure funds by the sale of securities in Developer or any affiliate of Developer (including common or preferred stock, bonds, debentures or general or limited partnership interests) Developer (or any of its owners) agrees not to use the written materials submitted to Franchisor or any other written materials to raise or secure funds unless and until Franchisor approves of the language. No information respecting Franchisor or its affiliate shall be included in any securities disclosure document, unless that information has been furnished to Franchisor, in writing, pursuant to the written request of the Developer. The written request shall state the specific purpose for which the information is to be used. Should Franchisor, in its sole discretion, object to any reference to Franchisor or its affiliate or any of their businesses in the offering literature or prospectus, the literature or prospectus shall not be used unless and until the objections of Franchisor are withdrawn. Franchisor assumes no responsibility for the offering whatsoever. Developer must pay Franchisor a public offering fee of Three Thousand Five Hundred Dollars (\$3,500) for the costs to Franchisor to review the information. The written consent of Franchisor pursuant to this Paragraph G does not imply or constitute the approval of Franchisor with respect to the method of financing, the offering literature submitted to Franchisor or any other aspect of the offering.

(2) The prospectus or other literature utilized in any offering must contain the following language in bold-face type on the first textual page:

“NEITHER J ‘N C REAL ESTATE MANAGEMENT, LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES IS DIRECTLY OR INDIRECTLY THE ISSUER OF THE SECURITIES OFFERED. NEITHER TBC INTERNATIONAL LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ASSUMES ANY RESPONSIBILITY WITH RESPECT TO THIS OFFERING AND/OR THE ADEQUACY OR ACCURACY OF THE INFORMATION SET FORTH, INCLUDING ANY STATEMENTS MADE WITH RESPECT TO ANY OF THEM. NEITHER TBC INTERNATIONAL LLC NOR ITS AFFILIATE NOR ANY OF ITS AFFILIATE’S SUBSIDIARIES ENDORSES OR MAKES ANY RECOMMENDATION WITH RESPECT TO THE INVESTMENT CONTEMPLATED BY THIS OFFERING.”

(3) Developer and each of its owners agrees to indemnify, defend and hold harmless Franchisor and its affiliate, and their respective officers, directors, employees and agents, from any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) incurred by Franchisor as the result of the offer or sale of securities. This Agreement applies to any and all claims, demands, liabilities, and all costs and expenses (including reasonable attorneys’ fees) asserted by a purchaser of any security or by a governmental agency. Franchisor has the right (but not the obligation) to defend any claims, demands or liabilities and/or to participate in the defense of any action to which Franchisor or its affiliate or any of their respective officers, directors, employees or agents is named as a party.

H. NOTICE TO FRANCHISOR

Provided Developer is not then a public company, if any person holding an interest in Developer (other than Developer or a Principal, which parties shall be subject to the provisions set forth above) transfers such interest, then Developer shall promptly notify Franchisor of such proposed transfer in writing and provide information as Franchisor may reasonably request before the transfer. The transferee may not be one of Franchisor’s competitors. The transferee must execute a Confidentiality Agreement and Ancillary Covenants Not to Compete in the form then required by Franchisor, which form shall be in substantially the same form attached hereto as Exhibit E. Franchisor also reserves the right to designate the transferee as one of the Principals. If Developer is a public company, this provision applies only to transfers in interest by Principals or to any person or entity controlling more than ten percent (10%) of Developer’s voting stock.

17. APPROVALS

A. Wherever this Agreement requires the prior approval or consent of Franchisor, Developer shall make a timely written request to Franchisor for such approval or consent.

B. Franchisor makes no warranties or guarantees upon which Developer may rely and assumes no liability or obligation to Developer or to any third party to which it would not otherwise be subject, by providing any waiver, approval, advise, consent, or services to Developer in connection with this Agreement, or by any reason of neglect, delay or denial of any request therefor.

18. NONWAIVER

A. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Developer or Principals with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver or estoppel of Franchisor’s right to demand exact compliance with any of the terms herein and Developer and the

Principals warrant and undertake that it shall not rely on such failure, custom or practice. Waiver by Franchisor of any particular default by Developer or any of the Principals shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar or different nature, nor shall delay, forbearance, or omission of Franchisor to exercise any power or right arising out of any breach or default by its other developers or by Developer of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. 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, covenants or conditions of this Agreement.

B. All rights and remedies of the parties hereto shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement, the rights and remedies of the parties hereto shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration or early termination of this Agreement shall not discharge or release Developer from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration or early termination of this Agreement.

19. DEVELOPER'S RECORDS AND REPORTS

A. Developer must keep accurate records concerning all transactions and communications between Franchisor and Developer relating to the development and operation of facilities in the Development Area. Franchisor's duly authorized representative has the right, following reasonable notice, at all reasonable hours of the day to examine all Developer's records with respect to the subject matter of this Agreement, and has full and free access to records for that purpose and for the purpose of making extracts. All records must be kept available for at least three (3) years after preparation.

B. Developer must furnish to Franchisor monthly written reports regarding Developer's progress on the development of SALONS BY JC Facilities under this Agreement.

20. NOTICES AND PAYMENTS

All written notices and reports permitted or required to be delivered by the provisions of this Agreement or of the Manuals shall be deemed so delivered at the time delivered by hand or by e-mail with receipt confirmed by the receiving party or one (1) business day after sending by overnight courier with delivery confirmed and addressed to the party to be notified at its most current address of which the notifying party has been notified. The following addresses for the parties shall be used unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor:

J 'N C Real Estate Development, LLC
Attn: Steve Griffey
703 Huebner Road, Suite 202
San Antonio, Texas 78230

With an additional copy to:

Fisher Zucker, LLC
Attn: Lane Fisher
21 South 21st Street
Philadelphia, PA 19103

Notice to Developer:

ATTN: _____

21. GOVERNING LAW AND ALTERNATIVE DISPUTE RESOLUTION

A. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas, without reference to the state's conflict of laws principles.

B. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing notice as set forth in Section 20 of this Agreement, and make every effort to resolve the dispute internally. Developer must exhaust this internal dispute resolution procedure before Developer may bring Developer's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

C. At Franchisor's option, all claims or disputes between Developer and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Developer and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place in San Antonio, Texas under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Developer will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or

in any confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Developer's payment obligations under this Agreement.

22. LITIGATION AND OTHER DISPUTE RESOLUTION PROVISIONS

A. Except for those claims described in Section 22(B) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated in the state court of general jurisdiction closest to San Antonio, Texas or, if appropriate, the United States District Court for the Western District of Texas. Developer acknowledges that this Agreement has been entered into in the State of Texas, and that Developer is to receive valuable and continuing services emanating from Franchisor's headquarters in Texas, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Texas as set forth in this Section.

B. Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to: (i) Developer's use of the Proprietary Marks and confidential information; (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement; (iii) Developer's obligations on termination or expiration of this Agreement; (iv) disputes and controversies based on or arising under the Lanham Act, as now or hereafter amended; (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement; and (vi) to prohibit any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

C. Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in Sections 21 and 22 of this Agreement, each having authority to specifically enforce the right to mediate claims asserted against such person(s) by Developer.

D. As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Developer must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.

E. Developer shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Developer under this Agreement or any related agreements.

F. Developer further agrees that no cause of action arising out of or under this Agreement may be maintained by Developer against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Developer becomes aware of facts or circumstances reasonably indicating that Developer may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Developer hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without

limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.

G. Developer hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Developer's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Developer's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

H. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT OR THE PERFORMANCE OF EITHER PARTY.

I. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

23. ENFORCEMENT

A. SEVERABILITY 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 considered severable and if, for any reason, any portion of this Agreement is held to be invalid, 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 in a proceeding to which Franchisor is a party, that ruling shall not impair the operation of, or have any other effect upon, other portions of this Agreement as may remain otherwise intelligible, which shall continue to be given full force and effect and bind the parties to this Agreement, although any portion held to be invalid shall be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party, otherwise upon Developer's receipt of a notice of non-enforcement from Franchisor.

(2) If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure Franchisor prescribes is invalid or unenforceable, the prior notice and/or other action required by law or rule shall be substituted

for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable provision, specification, standard or operating procedure to the extent required to be valid and enforceable. Developer agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is prescribed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions, or any specification, standard or operating procedure Franchisor prescribes, 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 a court order. Modifications to this Agreement shall be effective only in that jurisdiction, unless Franchisor elects to give them greater applicability, and this Agreement shall be enforced as originally made and entered into in all other jurisdictions.

B. EXCEPTIONS

Neither Franchisor nor Developer are liable for loss or damage or deemed to be in breach of this Agreement if its failure to perform its obligations results from: (1) transportation shortages, inadequate supply of labor, material or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency; (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, or municipal government or any department or agency; (3) acts of God; (4) acts or omissions of the other party; (5) fires, strikes, embargoes, war or riot; or (6) any other similar event or cause. Any delay resulting from any of these causes shall extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

C. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Developer under this Agreement are cumulative and no exercise or enforcement by Franchisor or Developer of any right or remedy precludes the exercise or enforcement by Franchisor or Developer of any other right or remedy which Franchisor or Developer is entitled by law to enforce.

D. COSTS AND ATTORNEYS' FEES

If Developer is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Developer and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Developer must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court costs and litigation expenses. If Developer institutes any legal action to interpret or enforce the terms of this Agreement, and Developer's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

E. VARIANCES

Developer acknowledges that Franchisor has and may at different times approve exceptions or changes from the uniform standards of the System in Franchisor's absolute sole discretion, which Franchisor deems desirable or necessary under particular circumstances. Developer understands that he has no right to object to or automatically obtain such variances, and any exception or change must be

approved in advance from Franchisor in writing. Developer understands existing Developers may operate under different forms of agreements and that the rights and obligations of existing Developers may differ materially from this Agreement.

F. BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Developer and Franchisor.

G. CONSTRUCTION/INTEGRATION CLAUSE

This Agreement, all exhibits to this Agreement and all ancillary agreements executed contemporaneously with this Agreement constitute the entire agreement between the parties with reference to the subject matter of this Agreement and supersede any and all prior negotiations, undertakings, representations, and agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document that Franchisor furnished to Developer. Developer acknowledges that Developer is entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of Developer's own independent investigation of the franchised business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents, representatives, independent contractors, attorneys, or Developers, which are contrary to the terms set forth in this Agreement or of any franchise disclosure document, offering circular, prospectus, or other similar document required or permitted to be given to Developer pursuant to applicable law.

Developer hereby acknowledges and further represents and warrants to Franchisor that:

1. Developer has placed no reliance on any oral or written statements, whether referred to as representations, warranties, inducements, or otherwise, which are not contained in this Agreement or in the Franchise Disclosure Document;
2. Developer has entered into this Agreement after making an independent investigation of Franchisor's operations and the System;
3. Franchisor has not made any guarantee or provided any assurance that the business location will be successful or profitable regardless of whether Franchisor may have approved of the franchise or site location;
4. Developer has (a) read this Agreement in its entirety and understands its contents; (b) been given the opportunity to clarify any provisions that Developer did not understand and (c) had the opportunity to consult with professional advisors regarding the operation and effect of the Agreement and the operation of the System;
5. Developer has, together with its advisors, sufficient knowledge and experience in financial and business matters to make an informed decision with respect to the franchise offered by Franchisor; and
6. Developer has received a copy of the Franchise Disclosure Document not later than the earlier of the first personal meeting held to discuss the sale of a franchise, or fourteen (14) calendar days before execution of this Agreement or fourteen (14) calendar days before any payment of any consideration.

Except as may have been disclosed at Item 19 of Franchisor's Franchise Disclosure Document, Developer represents and warrants to Franchisor that no claims, representations, or warranties regarding the earnings, sales, profits, success or failure of the franchised business have been made to Developer and no such claims, representations or warranties have induced Developer to enter into this Agreement.

Except for those changes permitted to be made unilaterally by Franchisor, no amendment, change or variance from this Agreement is binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

24. CAVEAT

A. The success of the business venture contemplated to be undertaken by this Agreement is speculative and depends, to a large extent, upon the ability of the Developer as an independent business person, and the active participation of Developer in the daily affairs of the business 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.

B. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Franchisor's operations and not upon any representation as to gross sales, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth in this Agreement, to induce the Developer to accept this franchise and execute this Agreement.

C. Developer represents and acknowledges that he has received a copy of this Agreement, with all blanks filled in, from Franchisor at least seven (7) calendar days before the date of execution of this Agreement. Developer further represents that he understands the terms, conditions and obligations of this Agreement and agrees to be bound.

25. MISCELLANEOUS

A. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity who is not a party to this Agreement.

B. The headings of the several sections and paragraphs are for convenience only and do not define, limit or construe the contents of sections or paragraphs.

C. The "Developer" as used in this Agreement is applicable to one (1) or more persons, a corporation or a partnership or limited partnership or limited liability company as the case may be, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If two (2) or more persons are at any time Developer under this Agreement, their obligations and liabilities to Franchisor shall be joint and several. References to "Developer" and "Assignee" which are applicable to an individual or individuals shall mean the owner or owners of the equity or operating control of Developer or the Assignee, if Developer or the Assignee is a corporation, partnership, limited partnership or limited liability company.

This Agreement shall be executed in multiple copies, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement in duplicate on the date recited in the first paragraph.

APPROVED:

FRANCHISOR:

J 'N C REAL ESTATE DEVELOPMENT, LLC

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

ATTACHMENT TO DEVELOPMENT AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS is given this ____ day of _____, 20____, by _____, (each a "Guarantor").

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (the "Area Development Agreement") by J 'N C REAL ESTATE DEVELOPMENT, LLC (the "Franchisor"), and _____ ("Developer"), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development 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 without limitation, those obligations related to: confidentiality and non-disclosure; indemnification; the Proprietary Marks; the in-term and post-term covenants against competition, as well as all other restrictive covenants; and the governing law, venue and other dispute resolution provisions set forth in the Area Development Agreement.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer or any other person as a condition of liability; and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor's undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor's liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor's liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor's obligations to make payment or render performance in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys' fees and all costs and other expenses incurred in any collection or attempt to

collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

Guarantor

Guarantor

Guarantor

EXHIBIT A TO THE AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AREA

The development rights and obligations of Developer, _____, to timely develop and open SALONS BY JC Facilities shall be within the following described area:

APPROVED:

FRANCHISOR:

J 'N C REAL ESTATE DEVELOPMENT, LLC

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

2. Forfeiture of Rights of Exclusivity

Developer's failure to comply with the Development Schedule causes the rights of exclusivity to be forfeited.

APPROVED:

FRANCHISOR:

J 'N C REAL ESTATE DEVELOPMENT, LLC

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

EXHIBIT C TO AREA DEVELOPMENT AGREEMENT
FRANCHISE AGREEMENT

EXHIBIT D TO AREA DEVELOPMENT AGREEMENT

STATEMENT OF OWNERSHIP INTERESTS AND PRINCIPALS

- A. The following is a list of shareholders, partners, members or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

<u>Name</u>	<u>Percentage of Ownership/Nature of Interest</u>
-------------	---

- B. The following is a list of all of Principals described in and designated pursuant to this Area Development Agreement, each of whom shall execute the Confidentiality Agreement and Ancillary Covenants Not to Compete substantially in the form set forth in Exhibit E of this Area Development Agreement:

EXHIBIT E TO AREA DEVELOPMENT AGREEMENT

**CONFIDENTIALITY AGREEMENT AND
ANCILLARY COVENANTS NOT TO COMPETE**

This Agreement is made and entered into this ___day of _____, 20___, between J 'N C REAL ESTATE DEVELOPMENT, LLC, a Texas limited liability company ("Franchisor"), _____ ("Developer"), and _____ ("Covenantor").

RECITALS

WHEREAS, Franchisor has obtained the right to develop a unique system (the "System") for the development and operation of SALONS BY JC Facilities under the name and marks SALONS BY JC ("Facilities"); and

WHEREAS, the System includes, but is not limited to, certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the marks SALONS BY JC and other trade names, service marks, trademarks, logos, insignia, slogans, emblems, designs and commercial symbols as Franchisor may develop in the future to identify for the public the source of services and products marketed under the marks and under the System and representing the System's high standards of quality, appearance, service and the System's proprietary methodology and procedures for the establishment and operating procedures, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Facility and each individual salon suite, standards and specifications for the furniture, fixtures and equipment located within a Facility, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Facility; all of which Franchisor may change, improve and further develop and which Franchisor uses in connection with the operation of the System (collectively, the "Confidential Information"); and

WHEREAS, the Proprietary Marks and Confidential Information provide economic advantages to Franchisor and are not generally known to, and are not readily ascertainable by proper means by, Franchisor's competitors who could obtain economic value from knowledge and use of the Confidential Information; and

WHEREAS, Franchisor has taken and intends to take all reasonable steps to maintain the confidentiality and secrecy of the Confidential Information; and

WHEREAS, Franchisor has granted Developer the limited right to develop a SALONS BY JC Facility using the System, the Proprietary Marks and the Confidential Information, pursuant to an Area Development Agreement entered into on _____, 20___ ("Area Development Agreement"), by and between Franchisor and Developer; and

WHEREAS, Franchisor and Developer have agreed in the Area Development Agreement on the importance to Franchisor and to Developer and other licensed users of the System of restricting the use, access and dissemination of the Confidential Information; and

WHEREAS, it is necessary for certain employees, agents, independent contractors, officers, directors and equity interest holders of Developer, or any entity having an interest in Developer ("Covenantor") to have access to and to use some of all of the Confidential Information in the management and operation of Developer's SALONS BY JC Facility using the System; and

WHEREAS, Developer has agreed to obtain from those covenantors written agreements protecting the Confidential Information and the System against unfair competition; and

WHEREAS, Covenantor wishes to remain, or wishes to become associated with or employed by Developer; and

WHEREAS, Covenantor wishes and needs to receive and use the Confidential Information in the course of his employment or association in order to effectively perform the services for Developer; and

WHEREAS, Covenantor acknowledges that receipt of and the right to use the Confidential Information constitutes independent valuable consideration for the representations, promises and covenants made by Covenantor.

NOW, THEREFORE, in consideration of the mutual covenant and obligations contained in this Agreement, the parties agree as follows:

Confidentiality Agreement

1. Franchisor and/or Developer shall disclose to Covenantor some or all of the Confidential Information relating to the System. All information and materials, including, without limitation, manuals, drawings, specifications, techniques and compilations of data which Franchisor provides to Developer and/or Covenantor are deemed Confidential Information for the purposes of this Agreement.

2. Covenantor shall receive the Confidential Information in confidence and must, at all times, maintain them in confidence, and use them only in the course of his employment or association with a Developer and then only in connection with the development and/or operation by Developer of a SALONS BY JC Facility for so long as Developer is licensed by Franchisor to use the System.

3. Covenantor shall not at any time make copies of any documents or compilations containing some or all of the Confidential Information without Franchisor's express written permission.

4. Covenantor shall not at any time disclose or permit the disclosure of the Confidential Information except to other employees of Developer and only to the limited extent necessary to train or assist other employees of Developer in the development or operation of a SALONS BY JC Facility.

5. Covenantor must surrender any material containing some or all of the Confidential Information to Developer or Franchisor, upon request, or upon termination of employment by Developer, or upon conclusion of the use for which the information or material may have been furnished to Covenantor.

6. Covenantor shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System.

7. Franchisor loans all manuals to Developer for limited purposes only and they remain the property of Franchisor and may not be reproduced, in whole or in part, without Franchisor's written consent.

Covenants Not to Compete

1. In order to protect the goodwill and unique qualities of the System and the confidentiality and value of the Confidential Information during the term of this Agreement, and in consideration for the disclosure to Covenantor of the Confidential Information, Covenantor further agrees and covenants as follows:

a. Not to divert, or attempt to divert, directly or indirectly, any business, business opportunity, or customer of the Facilities to any competitor;

b. Except with prior written consent of Franchisor, not to employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any Developer of Franchisor, or otherwise directly or indirectly induce such person to leave that person's employment except as may occur in connection with Developer's employment of that person if permitted under the Area Development Agreement; and

c. Except with respect to Facilities operated under Franchise Agreements between Developer and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a SALONS BY JC Facility. For purposes of this Agreement, a Competing Business is defined as any business that offers or provides, the leasing, subleasing or rental of individual salon suites and/or other retail space to third-party wellness or beauty practitioners (including, without limitation, hair stylists, nail technicians, massage therapists and providers of other personal care services) similar to the services provided by a SALONS BY JC Facility.

2. In further consideration for the disclosure to Covenantor of the Confidential Information and to protect the uniqueness of the System, Covenantor agrees and covenants that for two (2) years following the earlier of the expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of his association with or employment by Developer, Covenantor will not without the prior written consent of Franchisor:

a. Divert or attempt to divert, directly or indirectly, any business, business opportunity or customer of the Facilities to any competitor;

b. Employ, or seek to employ, any person who is at the time or was within the preceding one hundred eighty (180) days employed by Franchisor, its affiliate or any franchisee of franchisor, or otherwise directly or indirectly induce such persons to leave that person's employment; and

c. Except with respect to Facilities operated under Franchise Agreements between Developer and its affiliates, and Franchisor or its affiliate or any of its subsidiaries, own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, limited liability companies, unincorporated associations or joint ventures), advise, assist or make loans to, any Competing Business or a business that is of a character and concept similar to a SALONS BY JC Facility (i) within the Development Area granted to Developer; or (ii) within a forty (40) mile radius of the perimeter of the Development Area being granted to Developer or any other designated territory or development area licensed by Franchisor to a SALONS BY JC Facility as of the date of expiration, termination or transfer of all Developer's interest in the Area Development Agreement or the termination of Covenantor's association with or employment by Developer.

Miscellaneous

1. Developer shall make all commercially reasonable efforts to ensure that Covenantor acts as required by this Agreement.

2. Covenantor agrees that in the event of a breach of this Agreement, Franchisor would be irreparably injured and be without an adequate remedy at law. Therefore, in the event of a breach, or threatened or attempted breach of any of the provisions, Franchisor is entitled to enforce the provisions of this Agreement and is entitled, in addition to any other remedies available to it at law or in equity, including the right to terminate the Area Development Agreement, to a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened harm and without being required to furnish a bond or other security.

3. Covenantor agrees to pay all expenses (including court costs and reasonable attorneys' fees) incurred by Franchisor and Developer in enforcing this Agreement.

4. Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by Covenantor shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by Covenantor.

5. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS AND COVENANTOR HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURTS OF BEXAR COUNTY, TEXAS AND THE FEDERAL DISTRICT COURT FOR TEXAS IN SAN ANTONIO, TEXAS. COVENANTOR HEREBY WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. COVENANTOR HEREBY AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON HIM IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY TEXAS OR FEDERAL LAW. COVENANTOR FURTHER AGREES THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE SAN ANTONIO, TEXAS; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR OR DEVELOPER MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION.

6. The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. 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 Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, Covenantor expressly agrees to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement.

7. This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement. This Agreement may be modified only by a duly authorized writing executed by all parties.

8. All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission), to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other parties.

If directed to Franchisor, the notice shall be addressed to

J 'N C Real Estate Development, LLC
Attn: Steve Griffey
1703 Huebner Road, Suite 202
San Antonio, Texas 78230

If directed to Developer, the notice shall be addressed to:

Attention: _____

If directed to Covenantor, the notice shall be addressed to:

Attention: _____

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

9. The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns. The respective obligations of Developer and Covenantor hereunder may not be assigned by Developer or Covenantor without the prior written consent of Franchisor.

IN WITNESS WHEREOF, the undersigned have entered into this Agreement as witnessed by their signatures below.

FRANCHISOR:

J 'N C REAL ESTATE DEVELOPMENT, LLC

By: _____
Title: _____

COVENANTOR:

Printed Name: _____

DEVELOPER:

(If Developer is a corporation)

Name of Corporation

By: _____
Title: _____

(If Developer is an individual owner, Developer must sign below; if a partnership, all partners must sign below)

Developer

Developer

Developer

Developer

(If Developer is a Limited Liability Company)

Name of Limited Liability Company

By: _____
Title: _____

EXHIBIT D

J 'N C REAL ESTATE DEVELOPMENT, LLC
FINANCIAL STATEMENTS

J'NC Real Estate Development, LLC
Financial Statements
December 31, 2011

J'NC Real Estate Development, LLC

Financial Statements
December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

The Members

J'NC Real Estate Development, LLC
San Antonio, Texas

We have audited the accompanying statement of financial condition of J'NC Real Estate Development, LLC (the LLC), as of December 31, 2011, and the related statement of income, changes in members' equity, and cash flows for the year then ended. These financial statements are the responsibility of the LLC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LLC as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

San Antonio, Texas
November 20, 2012



J'NC Real Estate Development, LLC

Statement of Financial Condition
December 31, 2011

ASSETS

Cash	\$ <u>39,421</u>
TOTAL ASSETS	\$ <u><u>39,421</u></u>

LIABILITIES AND MEMBERS' EQUITY

Total Liabilities	\$ <u>-</u>
Members' Equity	<u>39,421</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ <u><u>39,421</u></u>

J'NC Real Estate Development, LLC

Statement of Income

For the Year Ended December 31, 2011

Revenues	
Franchise Fee Income	\$ <u>87,500</u>
	<u>87,500</u>
Expenses	
Advertising and Promotion	4,048
Bank Service Charges	12
Printing and Reproduction	<u>19</u>
	<u>4,079</u>
Net Income	\$ <u><u>83,421</u></u>

J'NC Real Estate Development, LLC

Statement of Changes in Members' Equity
For the Year Ended December 31, 2011

Members' Equity, December 31, 2010	\$	-
Net Income		83,421
Contributions		1,000
Distributions		<u>(45,000)</u>
Members' Equity, December 31, 2011	\$	<u><u>39,421</u></u>

J'NC Real Estate Development, LLC

Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities:	
Net Income	\$ <u>83,421</u>
Net Cash Provided (Used) by Operating Activities	<u>83,421</u>
Cash Flows from Financing Activities:	
Partners' Contributions	1,000
Partners' Distributions	<u>(45,000)</u>
Net Cash Provided by Financing Activities	<u>(44,000)</u>
Net Increase (Decrease) in Cash	39,421
Cash Balance at Beginning of Year	<u>-</u>
Cash Balance at End of Year	\$ <u><u>39,421</u></u>

Supplemental Information

Interest Paid	\$ <u><u>-</u></u>
---------------	--------------------

J'NC Real Estate Development, LLC

Notes to the Financial Statements
December 31, 2011

Note A - Organization and Summary of Significant Accounting Policies

J'NC Real Estate Development, LLC. (the LLC), was organized on January 23, 2008 as a Texas limited liability company comprised of three members. The LLC is engaged in the business of selling franchise rights related to operating high-end retail space for beauty and wellness practitioners, or "salon suites", under the name Salons by JC.

The following is a summary of significant accounting policies of the LLC. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and were utilized in preparing the accompanying financial statements.

Revenue Recognition

The LLC's revenue is derived primarily from franchisee and royalty fees. Franchise Revenue is recognized and deemed fully earned upon receipt of franchise fee and is non-refundable in whole or part.

Income Taxes

The LLC is not a taxpaying entity for federal income tax purposes, and thus no income tax expense has been recorded in the statements. Income or losses of the LLC is required to be reported by the members on their individual income tax returns.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include cash in bank depository account.

Note B – Related Party Transactions

One franchisee is a relative (brother) of one of the members and is considered a related party. The initial franchise fee for this franchisee was discounted 50%.

The LLC paid \$4,048 in advertising fees to J'NC Investments, a company in which two of the owners are members of the LLC.

Note C – Concentration of Credit Risk

The LLC maintains cash balances at one bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of December 31, 2011. At December 31, 2011 no deposits were in excess of FDIC coverage.

J'NC Real Estate Development, LLC

Notes to the Financial Statements
December 31, 2011

Note D – Subsequent Events

The LLC has evaluated subsequent events through November 20, 2012, the date which the financial statements were available to be issued. No such events have occurred subsequent to the balance sheet date and through the date of the LLC's evaluation that would require adjustment to, or disclosure in, the financial statements.

EXHIBIT E

STATE SPECIFIC ADDENDA

NONE AT THIS TIME.

EXHIBIT F

LIST OF FRANCHISEES AND FRANCHISEES THAT HAVE LEFT THE SYSTEM

As of the Issue Date of this Disclosure Document, we have two franchisees that have entered into Franchise Agreements, but are not yet open for business, namely:

<u>Name</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Telephone No.</u>
Carol Westlund	Casa Linda Shopping Center	Dallas	Texas	(214) 543-7457
Bruce Brown and Ryan Burkhart	Trophy Club (TBD)	Dallas-Fort Worth	Texas	(214) 546-5360

As we are a fairly new franchise offering, as of the Issue Date of this Disclosure Document we do not have any former franchisees that have left the System in the past fiscal year or have otherwise failed to communicate with us in the 10 weeks preceding the Issue Date of this Disclosure Document.

EXHIBIT G

OPERATIONS MANUAL TABLE OF CONTENTS

CONFIDENTIAL OPERATIONS MANUAL – TABLE OF CONTENTS

Section Heading	Page
Section A, Introduction and Overview	A-5 to A-12
Section B, Opening a Salons by JC	B-1 to B-11
Section C, Human Resources	C-1 to C-35
Section D, Daily Operating Procedures.....	D-1 to D11
Section E, Selling Procedures	E-1 to E-7
Section F, Providing Salon and Real Estate Services.....	F-1 to F-7
Section G, Appendix.....	G-1 to G-55
Total Pages.....	Approximately 138

EXHIBIT H

SAMPLE RELEASE AGREEMENT

In consideration for the consent of J 'N C Real Estate Development, LLC (the "Franchisor"), to the assignment by _____ ("Franchisee") of its interest in that certain franchise agreement entered into by and between Franchisor and Franchisee dated _____ (the "Franchise Agreement"), Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale of the SALONS BY JC franchised business described therein, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof. Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released.

This Release has been entered into and agreed to as of the ____ day of _____, 20____

FRANCHISEE:

By: _____

Print Name: _____

By: _____

Print Name: _____

EXHIBIT I

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

As you know, J 'N C Real Estate Development, LLC (“we”, “us”), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one or more SALONS BY JC franchises (each, a “Franchised Business”). The purpose of this Questionnaire is to: (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading; (ii) be certain that you have been properly represented in this transaction; and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer “No” to any of the questions below, please explain your answer on the back of this sheet.

- Yes___ No ___ 1. Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements, that you intend to enter into with us?
- Yes___ No ___ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes___ No ___ 3. Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes___ No ___ 4. Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes___ No ___ 5. Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes___ No ___ 6. Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Development Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes___ No ___ 7. Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes___ No ___ 8. Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the SALONS BY JC mark or any other mark at any location outside your (a) Designated Territory under the Franchise Agreement and (b) Development Area is you have entered into a Development Agreement, without regard to the proximity of these activities to you're the premises of your Franchised Business(es) or Development Area?

- Yes___ No ___ 9. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, in San Antonio, Texas?
- Yes___ No ___ 10. Do you understand the Franchise Agreement and Development Agreement provide that you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes___ No ___ 11. Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes___ No ___ 12. Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Facility Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes___ No ___ 13. Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes___ No ___ 14. Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes___ No ___ 15. Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes___ No ___ 16. Do you understand that we will not approve your purchase of a SALONS BY JC franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes___ No ___ 17. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes___ No ___ 18. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___ 19. Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes ___ No ___ 20. Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated: _____, 20____

Dated: _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

EXHIBIT J

RECEIPTS

RECEIPTS (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 J 'N C Real Estate Development, LLC offers you a franchise it must provide this Disclosure Document to you within 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship.

Michigan, Oregon, Washington, and Wisconsin require that we 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 J 'N C Real Estate Development, 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 state administrator identified in Exhibit A of this Franchise Disclosure Document.

A list of franchisor's agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of December 10, 2012, which contained the following Exhibits.

- A. List of State Franchise Administrators/Agents for Service of Process
- B. Franchise Agreement (and Exhibits)
- C. Development Agreement (and Exhibits)
- D. Financial Statements
- E. State Specific Addenda
- F. List of Franchisees and Franchisees That Left Our System in the Past Fiscal Year or That Have Not Communicated to Us in the 10 Weeks Prior to the Issue Date of this Disclosure Document
- G. Operations Manual Table of Contents
- H. Sample Termination and Release Agreement
- I. Franchisee Questionnaire/Compliance Certification
- J. Receipts

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Date: _____ Franchisee

(Print Name)

(Telephone Number)

Below for a Partnership, Corporation or Limited Liability Corporation:

Name: _____

Title: _____

Name of Company: _____

Address: _____

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 J 'N C Real Estate Development, LLC offers you a franchise it must provide this Disclosure Document to you within 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship.

Michigan, Oregon, Washington, and Wisconsin require that we 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 J 'N C Real Estate Development, 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 state administrator identified in Exhibit A of this Franchise Disclosure Document.

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A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

Date: _____ Franchisee
_____ (Print Name)
_____ (Telephone Number)

Below for a Partnership, Corporation or Limited Liability Corporation:

Name: _____

Title: _____

Name of Company: _____

Address: _____