

2014

FRANCHISE

DISCLOSURE DOCUMENT

FOR



FRANCHISE DISCLOSURE DOCUMENT

SOLA FRANCHISE CORPORATION

a Colorado corporation
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Denver, Colorado 80209
Phone: 303-377-7652
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www.solasalonstudios.com

Sola Franchise Corporation (“Sola”) offers franchises that license individual turn-key salon studios to independent salon professionals under the trade name “Sola Salon Studios” using our unique system of build-out.

The total investment necessary to begin operation of a Sola Salon franchised business is \$413,800 to \$1,134,300. This includes \$39,000 that must be paid to the franchisor or its affiliate(s).

The total investment necessary to begin operation of a Sola Salon Multiple Unit Development business is between \$453,800 and \$1,234,300. This includes between \$40,000 and \$100,000 that must be paid to the franchisor or its affiliate(s).

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

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 Matt Briger, at 50 South Steele Street, Suite 1050, Denver, Colorado 80209; and (303)-377-7652.

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

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

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

Issuance Date: March 15, 2014

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 THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.**

Call the state franchise administrator listed in Exhibit D 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 RISKS FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE ANY DISPUTES WITH US BY MANDATORY FACE-TO-FACE NEGOTIATION, NON-BINDING MEDIATION, AND ARBITRATION. THESE PROCEEDINGS TO NEGOTIATE, MEDIATE AND/OR ARBITRATE WILL TAKE PLACE IN COLORADO. OUT OF STATE FACE-TO-FACE NEGOTIATION, MEDIATION AND ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO NEGOTIATE, MEDIATE AND/OR ARBITRATE WITH US IN COLORADO THAN IN YOUR HOME STATE. YOU AND WE WILL GENERALLY BEAR EACH OF OUR OWN COSTS IN ANY DISPUTE, BUT THE ARBITRATOR CAN ASSESS COSTS (BUT NOT ATTORNEY'S FEES) AGAINST A LOSING PARTY.
2. YOU WAIVE YOUR RIGHTS TO A JURY TRIAL, AS WELL AS TO A TRIAL BEFORE A JUDGE IN A COURT OF LAW, YOU GENERALLY WAIVE YOUR RIGHT TO APPEAL AN ARBITRATION AWARD (EXCEPT TO A 3 ARBITRATOR APPEAL PANEL) AND MAY BE GIVING UP RIGHTS TO CERTAIN PRE-TRIAL DISCOVERY, AS WELL AS GIVING UP RIGHTS REGARDING CERTAIN CLASS ACTIONS. THE FRANCHISE AGREEMENT ALSO CONTAINS A LIMITATION ON THE TYPES AND AMOUNTS OF DAMAGES RECOVERABLE BY YOU OR US, REQUIRES YOU TO GIVE US NOTICE OF AND OPPORTUNITY TO CURE, DEFAULTS BY US AND PROVIDES FOR A PERIOD OF TIME IN WHICH YOU OR WE CAN BRING CLAIMS WHICH MAY BE SHORTER THAN THAT PROVIDED BY APPLICABLE LAW.
3. THE FRANCHISE AGREEMENT STATES THAT COLORADO LAW GOVERNS THE AGREEMENT. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
4. THE FRANCHISOR REQUIRES THAT SPOUSES OF THE FRANCHISEE(S) SIGN THE FRANCHISE AGREEMENT. THIS BINDS INDIVIDUALS WHO MAY NOT BE INVOLVED IN THE FRANCHISE BUSINESS.
5. CONTINUATION OF THE FRANCHISE AGREEMENT IS CONTINGENT UPON YOUR MAKING CONTINUING ROYALTY PAYMENTS.
6. 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 franchises. A franchise broker or referral source represents us, not you. You should make sure to do your own investigation of the franchise.

Effective Date: See the next page for state effective dates.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states:

STATE	EFF DATE	AMENDMENT
California:	May 8, 2013	
Florida:	October 23, 2013	
Illinois:	June 7, 2013	
Indiana:	July 10, 2013	
Kentucky	Exempt	
Maryland	June 24, 2013	
Michigan:	October 25, 2013	
Minnesota	May 15, 2013	
New York:	August 15, 2013	
North Carolina:	TM Exempt	
South Carolina:	TM Exempt	
South Dakota	July 23, 2013	
Texas:	October 12, 2007 - Exempt	
Utah	April 18, 2013	
Virginia	June 23, 2013	
Washington	June 13, 2013	
Wisconsin	July 5, 2013	

In all the other states, the effective date of this Franchise Disclosure Document is the issuance date of March 15, 2014.

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EXHIBITS:

- A Financial Statements
- B Franchise Agreement
 - Attachment I - Addendum to Franchise Agreement
 - Attachment II - Electronic Payment Authorization
 - Attachment III - Collateral Assignment of Telephone Numbers, Addresses, and Listings
 - Attachment IV - Statement of Ownership
 - Attachment V - Guaranty and Assumption of Franchisee’s Obligations
- C Compliance Questionnaire
- D State Administrators and Agents for Service of Process

E State and Provincial Addendum
F Manual Table of Contents
G Nondisclosure and Noncompetition Agreement
H Multi Unit Development Agreement
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ITEM 1
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document, “we”, “us”, “Sola Salon Studios”, “Sola” or “Franchisor” means Sola Franchise Corporation. “You” means the person or entity that buys the franchise (the “Franchisee”). If an entity is the Franchisee, “you” includes the Franchisee’s owners.

The Franchisor, any Parents, Predecessors and Affiliates:

Sola Franchise Corporation was incorporated under the laws of Colorado in March 2005. Sola does not do business under any other name. Our principal business address is 50 South Steele Street, Suite 1050, Denver, Colorado, 80209. Sola’s agent for service of process is disclosed in Exhibit D to this Franchise Disclosure Document. We have been offering franchises since March 2005. We have never offered franchises in any other line of business. Sola is not engaged in any other type of business activity.

Sola Franchise Corporation has no parent companies.

Sola has no predecessors but we do have one affiliate. Our affiliate, Sola Salon Studios, LLC (“SSS, LLC”) is a Colorado limited liability company that was formed under the laws of Colorado in August 2003. The principal business address of SSS, LLC is 50 South Steele Street, Suite 1050, Denver, Colorado 80209. SSS, LLC has never offered franchises in this or any other line of business. Our affiliate has no parent company.

We have not operated Sola Salons, but our affiliate currently operates eleven locations in Colorado which are similar to the franchise being offered to you. The first location has been in operation since July 2004.

Description of the Franchise

We offer franchises for the operation of a business providing build-out and lease of turn-key salon studios to salon professionals under the Sola trademarks, trade names, service marks, and logos (“**Marks**”). Throughout this document, your franchise business will also be referred to as your “location” or your “unit”. As a franchisee, you will typically purchase or lease existing building space ranging from 3,000 to 9,000 square feet and convert or remodel the purchased or leased space into individualized size salon studios (typically 8 feet by 12 feet) which are then licensed to independent salon professionals. As a franchisee, you will provide general salon management, maintenance inside the studios and common areas, wireless internet, parties and gatherings, some marketing/branding and a website page for each salon professional. Each salon professional will schedule their own appointments. The franchise is operated under a business format in accordance with a unique system, including our valuable know how, information, trade secrets, methods, Manual, standards, designs, methods of trademark usage, copyrightable works, rental space sources and specifications, software, confidential electronic and other communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the Business (collectively, the “System”) owned and developed by us and known as Sola Salon Studios (“Business”). We are designed to support

you in your ongoing business efforts. We reserve the right to change or otherwise modify the System and add, modify, or delete any of our designs, lease processes, or services at any time in our sole discretion. We will provide you with legal forms for leasing the salons such as the license agreement and other basic forms (application, rules and website).

You must operate your Franchise in accordance with our standard business operating practices and sign our standard franchise agreement (“Franchise Agreement”), which is attached to this Disclosure Document as Exhibit B.

We also offer, to qualified applicants, the opportunity to develop additional units by purchasing either a group of three (3) or a group of six (6) franchises. You will be required to sign the Multi-Unit Development Agreement (“MUDA”) at the same time you execute the Initial Franchise Agreement and you will be required to develop these additional units within a fixed time period. (See Exhibit H). You must sign our then-current franchise agreement for each additional unit opened under the terms of the MUDA. These franchise agreements may not be the same as the Initial Franchise Agreement that you will sign.

The Market and Competition

The franchise targets its services to salon professionals, such as stylists, nail techs, estheticians and massage therapists. You may have to compete with other businesses including franchised operations, national chains, and independently owned companies offering similar services to customers. We feel that the market for a centralized salon studio rental business is a new concept and moderately developed and is moderately competitive. You will also face other normal business risks that could have an adverse effect on your Franchise. These may include industry developments, such as pricing policies of competitors, and supply and demand.

Regulations

In California, Barbers and Cosmetologists are governed by the California Business and Professions Code, Chapter 10 Division 3, The Barbering & Cosmetology Act. Information regarding the licensing and operational requirements in California can be obtained by contacting the California State Board of Barbering and Cosmetology by telephone at (800) 952-5210 or from its website located at www.barbercosmo.ca.gov. As a franchisee, you may be subject to general business, employment and other laws and regulations. You should consult with your attorney and local, state and federal government agencies before buying your Sola Franchise or any business to determine all legal requirements and consider their effects on you and cost of compliance. It is your sole responsibility, to investigate, satisfy and remain in compliance with all local, state and federal laws, since they vary from place to place and can change over time.

Many states and local jurisdictions have enacted laws, rules, regulations and ordinances that may apply to the operation of your business. For example, some states may have real estate rental laws that govern the rental of space in your Salon. Your Salon must also comply with various health standards and regulations. You must also comply with laws that apply generally to all businesses. You should investigate these laws.

General

This Disclosure Document sets forth the terms on which we currently offer Sola Franchises. We may have offered Sola Franchises individually or under multi-unit Agreements in the past, or may currently offer Sola Franchises in other states or countries, on economic and/or other terms which differ from those offered by this Disclosure Document and there may be instances where we have varied, or will vary, the terms on which we offer Franchises to suit the circumstances of a particular transaction. We strongly urge you to carefully review all documents with independent advisors who can provide legal, business and/or economic guidance, such as a lawyer and/or accountant.

We retain the right, in our business judgment, to award, or not award, a Sola Franchise to you, regardless of the stage of the franchise award process, costs expended by you or otherwise.

You should understand that every detail of your Sola Franchise will be important not only to you, but to us and to all Sola Franchisees in order to: (a) maintain high and uniform operating standards based on the Sola core operating values; (b) increase the demand for the products and services sold by Sola Franchises; and (c) maintain a reputation for offering uniform and high quality products and services, ethical business practices and integrity. A fundamental requirement of your joining and remaining part of the Sola System will be your commitment to the operation of your Sola Franchise consistent with the then-current Sola System standards. During the term of the Franchise Agreement, you must, at all times, develop and operate your Sola Franchise in compliance with all Sola System standards, as we may modify in the future.

ITEM 2 BUSINESS EXPERIENCE

Director: Stratton Smith

From August 2003 to the present, Mr. Smith serves as Director/Partner of Sola Salon Studios, LLC, based in Denver, Colorado.

Since the formation of Sola Franchise Corporation in March 2005, Mr. Smith serves as Director/Partner, located in Denver, Colorado.

Director: Matt Briger

From August 2003 to the present, Mr. Briger serves as Director/Partner of Sola Salon Studios, LLC, based in Denver, Colorado.

From March 2005 to the present, Mr. Briger serves as Director/Partner of Sola Franchise Corporation, located in Denver, Colorado.

Executive Vice President and General Counsel: Ben Jones

From June 2012 to the present, Mr. Jones serves as EVP and General Counsel of Sola Salon Studios, LLC, located in Denver, Colorado.

From April 2008 to May 2012, Mr. Jones was the president and owner of New Boston Consulting, LLC, located in Norwich, Vermont.

Chief Operating Officer: Todd Neel

From July 2004 to the present, Mr. Neel serves as Chief Operating Officer of Sola Salon Studios, LLC, located in Denver.

From March 2005 to the present, Mr. Neel serves as Chief Operating Officer of Sola Franchise Corporation, located in Denver.

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

The Initial Franchise Fee is \$39,000. The Initial Franchise Fee is due when you sign the Franchise Agreement. The Initial Franchise Fee is fully earned upon payment and there are no refunds under any circumstances.

If you wish to purchase additional Franchises, you may do so at the same time you sign the Franchise Agreement. You may purchase multiple units in a group of three (3) or a group of six (6). You will be required to sign our Multi-Unit Development Agreement (“MUDA”) (Exhibit H) and agree to open your additional units upon a set schedule. The Development Fee(s) is/are fully earned upon payment are due when you sign the MUDA. There are no refunds under any circumstances.

Three (3) Unit MUDA: In addition to and at the same time you pay the Initial Franchise Fee of \$39,000, you will pay a \$40,000 Development Fee for the two additional units you agree to develop for a total of \$79,000 for 3 units. You will pay this fee in a lump sum, which is fully earned upon payment. There are no additional Franchise Fees required for these 3 units. You will agree to open the first unit within twelve (12) months, the second unit within 24 months and the third unit within 36 months.

Six (6) Unit MUDA: In addition to and at the same time you pay the Initial Franchise Fee of \$39,000, you will pay a \$100,000 Development Fee for five (5) additional units you agree to develop for a total of \$139,000 for 6 units. You will pay this fee in a lump sum, which is fully earned upon payment. There are no additional Franchise Fees required for these 6 units. You will agree to open the first unit within twelve (12) months, the second unit within 24 months, the third unit within 36 months, the fourth unit within 48 months and the fifth and sixth units within 60 months. In no event, will the opening of all of the units exceed 60 months, or five (5) years.

You pay us or our affiliates no other fees or payments for services or goods before your business opens.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Revenue, minimum of \$500 per month (Note 2)	Due on the 10th of each month	Required of all Franchisees. Initial Franchisees are paying 3%-4% of Gross Revenue, and the \$500 per month minimum was waived.
National Marketing Fund	2% of Gross Revenue per month (Note 2)	Due on the 10th of each month	2% of Gross Revenues per month will be required of all Franchisees. All franchises, including Company and affiliate owned locations, will contribute equally to the NMF.
Initial Training for Additional Persons	\$200 per person per day (Note 3)	As incurred	Training for two persons is included in the Initial Franchise Fee.
Additional Assistance at Your Franchise	\$500 per day (two day minimum) plus travel and living expenses (Note 4)	As incurred	Additional charges only incurred for on-site assistance beyond the initial training.
Transfer Fee	\$0 - 5,000 and any broker fees associated with such sale.. (Note 5)	Prior to acceptance of transfer	Payable before you sell your franchise.
Audit	Cost of audit plus 1% interest per month on understatement	30 days after billing	We pay all audit costs unless the audit shows an understatement of at least 2% of Gross Revenue for any month. Also payable for failure to submit required reports.
Fees for Lost Manual	\$50	Upon ordering	You must replace any Manual that is lost, stolen or destroyed. The Manual remains our property.
Interest	1% per month	30 days after due date	Franchisees must pay interest on late payments in the amount of 1% per month, or the maximum interest rate allowed by applicable law, whichever is less.
Franchise Renewal Fee	\$2,000	30 days prior to renewal	Initial franchise term is 10 years. The renewal term is 10 years.

Type of Fee	Amount	Due Date	Remarks
Computer and Communications Equipment Upgrades and Maintenance	Varies, but usually no more than \$1,000 per year.	As incurred or as agreed	You must purchase upgrades and pay for maintenance for your computer and communications equipment, when we require you to do so.

- (1) We or our affiliates impose all the fees in this table, you pay them to us or our affiliate, and we (or our affiliate) do not refund them. All fees in this Item 6 are uniformly imposed.
- (2) **“Gross Revenues”** means the total of all receipts derived from gross rental receipts and other revenue, whether the receipts are evidenced by cash, credit, checks, services, property, or other means of exchange. Gross Revenue excludes only sales tax receipts that you must by law collect from customers and that you actually pay to the government, promotional or discount coupons to the extent that Franchisee realizes no revenue, and employee receipt of services, if free, or any portion not paid for by an employee.
- (3) Training for you and your Manager is included in the Initial Franchise Fee. Additional charges are only applied if you choose to train more than two people. Training fees can be increased or decreased by us at any time in our discretion.
- (4) Ongoing assistance by telephone is included. We will charge you the Additional Assistance fee only if you require additional assistance at your franchise location. Fees for additional assistance can be increased or decreased by us at any time in our discretion.
- (5) No Transfer Fee is required if you transfer your Franchise to a corporation in which you are the majority stockholder, or if you transfer the Franchise to your child, parent, sibling, or spouse. You must pay a Transfer Fee of \$2,500 if you transfer the Franchise to another franchisee of ours. In all other cases, you must pay a Transfer Fee of \$5,000.
- (6) You must maintain insurance policies in amounts as specified by us periodically in the Manual. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, and all other occurrences against claims of any person, employee, customer, agent, or otherwise.

**ITEM 7
ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT
SINGLE FRANCHISE AGREEMENT**

Type of Expenditure	Amount (High)	Amount (High)	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee (Note 1)	\$39,000	\$39,000	Lump sum	Upon signing Franchise Agreement	Us
Travel and Living Expenses	\$1,500	\$3,000	As incurred	During training	Airfare, lodging, food and miscellaneous expenses while traveling to and from as well as during training.
Rent or Real Estate (Note 2)	\$5,000	\$50,000	As determined by Lessor	Prior to opening	Lessor
Improvements/Conversions (Note 3)	\$255,000	\$765,000	As incurred	Prior to opening	Vendors/Suppliers
Furniture & Fixtures	\$90,000	\$215,000	As determined by Vendors	Prior to opening or as arranged with Vendors	Vendors
Signage	\$5,000	\$13,000	As determined by Vendors	Prior to opening or as arranged with Vendors	Vendors
Miscellaneous Opening Costs (Note 4)	\$1,000	\$3,000	As incurred	Prior to opening	Suppliers, Utilities, etc.
Operating Supplies (Note 5)	\$1,000	\$5,000	As incurred	Prior to opening	Approved Suppliers
Advertising/Marketing (3 months) (Note 6)	\$3,000	\$6,000	As incurred	Prior to opening and during first three months	Distribution Service and Media
Insurance (Yearly basis)	\$2,000	\$3,000	As determined by Insurance Company	Prior to opening or as arranged with Insurance Company/Agent	Insurance Company/Agent

Type of Expenditure	Amount (High)	Amount (High)	Method of payment	When due	To whom payment is to be made
Computer Equipment and Software (Note 7)	\$1,300	\$2,300	As determined by Vendors	Prior to opening or as arranged with Vendors	Vendors
Additional Funds for Initial three (3) Months (Note 8)	\$10,000	\$30,000	As incurred	As incurred	Suppliers, Utilities
TOTALS (Note 9)	\$413,800	\$1,134,300			

- (1) Sola will approve or decline your application within 45 days of our receipt of your completed application. The Initial Franchise Fee is \$39,000. We will not refund the Initial Franchise Fee(s) under any circumstances. Sola does not finance any fee.
- (2) **Rent/Real Estate:** If you do not own adequate space, you must lease the space for your Business. Generally, this will include first and last months' rent, plus a security deposit. The numbers provided cover the interior build out of a location and are based on our 8 years of experience in the salon business and over 20 combined years in the real estate industry. These costs are the same regardless of whether you buy a building or lease space. These estimates are based on the build out of one (1) location. If you purchase multiple franchises at one time, you will incur additional expenses for each location purchased. Typical franchises are located in commercial centers, strip centers or buildings on commercial streets with heavy traffic, malls and office buildings. Generally, Sola Salon Studios are located in an existing shopping center with a minimum square footage of 3,000 feet. The terms and conditions of all agreements relating to the purchase, lease, and alteration of the property will be negotiated solely by you; however, we require you to include certain lease provisions. Legal fees are included in our estimates for leasing the premises but not for the purchase of real estate. The purchase of real estate may have additional legal expenses.
- (3) **Improvements/Conversions:** Franchise locations range from 18 studios to 43 studios (3,000 to 9,000 square feet). Your location will typically be leased, although some franchisees own their locations. Individual Studios should be equipped with cabinets, mirrors, styling chair, etc. You will license individual studios to salon professionals for 1 or 2 year terms. License payments are collected weekly for the most part; however, in certain markets, you may elect to collect monthly. Franchisees can choose whether to office from home, maintain onsite offices or lease other space. This is not a Sola requirement. The costs will vary widely and may be significantly higher than projected in this table depending on such factors as property location, population density, economic climate, prevailing interest rates and other financing costs, conditions of the property and extent of alterations required for the property. You should investigate all of these costs in the area where you wish to establish a Franchise.
- (4) Includes other deposits, utility costs, telephone, Internet, and communications costs and incorporation fees.
- (5) You must purchase an initial inventory of cleaning supplies and other operating supplies.

- (6) The advertising and marketing expenditure includes local marketing of \$300 per month for 3 months. This represents a quarter of the annual requirement of \$3600 per year in local marketing expenditure.
- (7) You will be required to purchase computer equipment and software for the operation of your franchise. While we do not require any specific vendors for computer, property management software, Internet, and communications equipment, we require that you meet certain minimum standards established periodically in the Manual.
- (8) This estimates your initial start up expenses for an initial three-month period, not including payroll costs, and does not include any revenue generated by the operation of your Business. These figures are estimates and we cannot guarantee that you will not have additional expenses starting your Business. Your expenses will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions (e.g., the local market for our rental spaces), the prevailing wage rate, competition and the sales level reached during the initial period.
- (9) We relied on 8 years of experience in the salon business and over 20 combined years in the real estate industry to compile these estimates. You should review these figures carefully with a business advisor before making any decision to purchase the franchise. We do not provide financing arrangements for you. If you obtain financing from others to pay for some of the expenditures necessary to establish and operate the franchise, the cost of financing will depend on your creditworthiness, collateral, lending policies, financial condition of the lender, regulatory environment, and other factors.

**YOUR ESTIMATED INITIAL INVESTMENT
MULTI UNIT DEVELOPMENT AGREEMENT**

Type of Expenditure	3 Unit MUDA Amount (Low)(High)	6 Unit MUDA Amount (Low)(High)	Method of payment	When due	To whom payment is to be made
Multi Unit Development Fee (Note 1)	\$40,000	\$100,000	Lump sum	Upon signing Initial Franchise Agreement and MUDA	Us
Initial Investment for 1 st Unit (Note 2)	\$413,800 - \$1,134,300	\$413,800 - \$1,134,300	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
Initial Investment for each additional unit (Note 2)	\$374,800- \$1,095,300	\$374,800- \$1,095,300	As indicated in Item 7 chart above	As indicated in Item 7 chart above	As indicated in Item 7 chart above
TOTALS (Note 3)	\$453,800 - \$1,174,300	\$513,800 – \$1,234,300			

- (1) The Multi Unit Development Fee is for the purchase of two or five units in addition to the Initial Franchise for a total of three (3) or six (6) units purchased. You must sign our MUDA at the same time you sign the Franchise Agreement for the First Franchise.
- (2) Multi Unit Developers will incur the expenses listed in the preceding Item 7 chart for the 1st Franchise Agreement. The estimated Initial investment for each subsequent franchise purchased under the MUDA does not include the Initial Franchise Fee or the MUDA fee, as these fees are paid at the time you sign the First Franchise Agreement in conjunction with the MUDA.
- (3) The Total Estimated Initial Investment for the MUDA includes the Development Fee you must pay at the time you enter into the MUDA as well as the Initial Franchise Fee and estimated range of fees you will incur to open and operate your first franchise for a period of three (3) months. This total does not include the cost to open and operate the additional units purchased under the MUDA.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We require that you establish and operate your franchised location in compliance with your Franchise Agreement. You must strictly follow our specifications as set forth in the operations manual we provide to you or other written materials from us (collectively, the "Manual"), which we may modify from time to time, and which may be in print or electronic format. We reserve the right to require you to use an electronic version of the Manual and to require you to access the document using the Internet or an intranet created and supported by us. Our standards and specifications have been prescribed in order to maintain a uniform standard of high quality, value, tenant recognition, advertising support and availability to be furnished to the public in connection with our Marks. In operating the Franchise, all salon equipment and salon designs must conform to our standards and specifications, which have been established through years of experience. In the future, we may modify our salon equipment and salon design specifications.

You are not currently required to purchase beauty supplies, hair care products or salon or spa inventory and there are currently no specifications for these items. We currently do not derive any revenues from these purchases.

You must purchase the cabinetry, doors, and interior signage and interior design services from our only approved supplier, Sympateco, Inc. You must also purchase the sconce lighting fixtures from our only approved vendor/supplier of these items, KAP Designs. At the present time, Sola is not an approved or designated supplier of these items. We may derive income or other material benefit from these required purchases from designated and approved vendors/suppliers. In the fiscal year ended December 31, 2013, we did not derive any revenue from purchases or leases from any designated or approved vendors/suppliers made by our Franchisees.

Sola estimates that the cost of the salon equipment, cabinetry, doors, interior signage and interior design services that must be purchased from designated or approved suppliers or in accordance with Sola's specifications will represent approximately between 25% and 35% of your total purchases in connection with the establishment of your business, and will represent from 2% to 5% of your ongoing expenses.

KAP Designs, from whom we purchase sconces, is 100% owned by Kristi Smith, the wife of Stratton Smith, one of our directors. Sconces are the light fixtures that are used in the hallways of the studios and designed to change the artwork. Other than the above supplier, there are no approved suppliers in which any of our officers owns an interest.

There are no current or on-going supplier relationships that provide us with rebates or pay us for a franchisee's purchases. In the fiscal year ended December 31, 2013, neither we nor our affiliates derived revenue from purchases or leases made by our Franchisees.

If you would like to purchase these items from another supplier, you may request our "Supplier Approval Criteria and Request Form." Based on the information and samples you supply to us, we will test the items supplied and review the proposed supplier's business reputation, delivery performance, credit rating and other information. There is no cost to you for this review. We expect to complete our review and advise you of our decision within 30 days after you submit the required information. The specifications and standards for these required purchases are in the Manual. We reserve the right to disapprove any previously approved vendor whose performance falls below our standards. We will make any approvals of new vendors or revoke approval of vendors in writing based on the vendor's credit worthiness, delivery standards, and cost and will incorporate our decision in the Manual. The specifications and standards for these required purchases are in the Manual.

We do not have any purchasing or distribution cooperatives as of the date of this Disclosure Document. We may negotiate purchase arrangements with other suppliers and distributors for the benefit of our Franchisees in the future and we may receive rebates or volume discounts from our purchase of salon equipment, beauty supplies, hair care products or salon or spa inventory that we resell to you. We do not provide material benefits, such as renewing or granting additional franchises, to Franchisees based on their use of designated or approved suppliers.

Leases

You must obtain Sola's prior written approval of your proposed business site.

Insurance

You must, at all times, maintain insurance as follows:

A. If you have employees, workers' compensation insurance in amounts prescribed by law in your territory;

B. Fire and lightning, extended coverage, theft, vandalism and malicious mischief, flood (if the Franchise is in a Designated Flood Hazard Area), and sprinkler leakage insurance on the Franchise and all fixtures, equipment, supplies and other property used in the operation of the Franchise, for not less than 100% of the replacement value of the same, except that an appropriate deductible clause will be permitted;

C. Comprehensive general liability insurance and product liability insurance coverage in such amounts and upon such terms as may from time to time be customary for a salon studio rental business located in your Protected Territory, but not less than \$1,000,000, insuring both you and Sola against all claims, suits, obligations, liabilities and damage, including attorneys' fees, based upon or arising out of actual or alleged personal injuries or property damage relating to the use or condition of the Franchise; and

D. Such additional insurance as may be required by the terms of any lease or mortgage for the Franchise.

Computer Requirements

We do not currently require you to purchase any particular computer hardware brand to establish or operate the Business, but we do specify the standards for computer and communication equipment and Internet access. You will be required to purchase or lease certain software to use in the operation of your Franchise as prescribed periodically in the Operations Manual. We reserve the right, to require you in the future, to use computer hardware or software, and other communications equipment, and to specify other computer-related and communications standards in the future.

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 MUDA	ITEM in Disclosure Document
A	Site selection and acquisition/lease if any	Sections 8.02 & 10.02	Section 3	ITEM 11
B	Pre-opening purchases/leases	Sections 10.02 & 12.06	Section 3	ITEM 11
C	Site development and other pre-opening requirements	Sections 10 & 12	Section 3	ITEM 11
D	Initial and ongoing training	Sections 8.04 & 8.05	Not Applicable	ITEM 11
E	Opening	Section 8.06	Section 3.1 Attachment A	Not Applicable
F	Fees	Section 5	Section 2	ITEM 5, 6, & 7
G	Compliance with standards and policies/Manual	Section 7.04, 12.02, 12.03, 12.04 & 12.05	Section 4.4	ITEM 11
H	Trademarks and proprietary information	Section 6 & 7	Not Applicable	ITEM 13 & 14
I	Restrictions on products and services offered	Sections 8.03, 12.06	Not Applicable	ITEM 8 & 16
J	Warranty and customer service requirements	Section 12.09	Not Applicable	Not Applicable

	Obligation	Section in Franchise Agreement	Section in MUDA	ITEM in Disclosure Document
K	Territorial development and sales quotas	Section 4 and Attachment I	Section 3 Attachment A	ITEM 11 & 12
L	Ongoing product and service purchases	Section 12	Not Applicable	ITEM 8 & 16
M	Maintenance, appearance and remodeling requirements	Sections 10.01, 10.04 12.02, 12.03	Not Applicable	Not Applicable
N	Insurance	Section 12.08	Not Applicable	ITEM 8
O	Advertising	Section 9	Not Applicable	ITEM 11
P	Indemnification	Section 12.14	Section 6.2	Not Applicable
Q	Owner's participation/management staffing	Sections 12.04	Not Applicable	ITEM 15
R	Records and reports	Section 7	Not Applicable	Not Applicable
S	Inspections and audits	Section 11	Not Applicable	Not Applicable
T	Transfer	Section 14	Sections 4.3 and 5.2	ITEM 17
U	Renewal	Section 3	Not Applicable	ITEM 17
V	Post-termination obligations	Sections 13.03, 13.04	Not Applicable	ITEM 17
W	Non-competition covenants	Sections 7.05, 15.01	Not Applicable	ITEM 17
X	Dispute resolution	Section 16	Section 7	ITEM 17
Y	Other	Not Applicable	Not Applicable	Not Applicable

ITEM 10 FINANCING

Neither Sola nor any agent or affiliate of ours offers direct financing. Neither Sola nor any agent or affiliate of ours offers indirect financing, nor do we guarantee your note, lease, or obligation.

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

Single Unit Franchise Agreement

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

Pre-Opening Obligations

Before you begin your Business, we will:

1. Within 30 days of signing the Franchise Agreement, designate your Protected Territory in writing and approve, if it meets our standards and specifications for approval, the franchise selected solely by you to be used for the operation of the Franchise. (See Sections 4 and 10 of the Franchise Agreement).

2. Loan you a copy of our confidential operating Manual, which contains mandatory and suggested specifications, standards, operating procedures and rules. The Manual is confidential and remains our property. We may modify the Manual from time to time, but the modification will not alter your status and rights under the Franchise Agreement. (See Section 7.04 of the Franchise Agreement). We have included a copy of the Table of Contents of our Manual as Exhibit F to this Franchise Disclosure Document. The Manual contains 164 pages.

3. Provide advice about selecting and analyzing a site for the Franchise. Your site must be at least 3,000 square feet. Site selection is your responsibility but we will assist you in the franchise selection process by considering population density, traffic patterns, and proximity of the proposed site to other Sola Salon Studios or any other reasonable criteria. If you and Sola cannot agree on the site selection, then you must select two (2) alternative sites. Sola will give you an evaluation of each franchise. You may then choose any one of the three sites. Sola must approve or disapprove your site within 30 days after we receive notice of the franchise from you. If we cannot agree on any of the three site franchises, then Sola will send a representative to assist in site selection. The franchise agreement cannot be terminated due to failure to agree on site selection; however, the franchise agreement may be terminated for failure to designate a location within twelve (12) months of signing the franchise agreement. Our assistance in no way constitutes a representation or warranty with respect to the property. (See Section 8.02 and 10.02 of the Franchise Agreement).

4. Provide you advice about the negotiation of the lease or purchase of a location for your Business, which will be leased or purchased by you from independent third parties. Our assistance in no way constitutes a representation or warranty with respect to the lease or purchase. (See Sections 10.02 and 10.03 of the Franchise Agreement).

5. Approve, if it meets our standards and specifications for approval, plans submitted for the design of your Franchise. Construction or remodeling, if needed, should begin as soon as possible after signing the Franchise Agreement, but, in any case, will not begin later than twelve months after signing the Franchise Agreement. You must purchase cabinetry, doors and interior signage and interior design services from our only approved vendor/supplier of these items, Sympateco Inc. Upon request, we will assist in the development and planning of any construction or remodeling with respect to sign specification and colors and Franchise layout and design. You must pay for construction or remodeling and all other costs associated with compliance and permits. Our approval means that the site and plans meet minimum specifications and is not a warranty for their appropriateness. (See Section 10 of the Franchise Agreement).

6. Within 60 days of your signing the Franchise Agreement, or any other time as may be mutually agreed upon, train you and your designated Manager as follows:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Orientation and Overview	Minimum of 1 Hour	None	Denver, Colorado
Site Selection and Construction	Minimum of 1 Hour	None	Denver, Colorado
Marketing and Promotion	Minimum of 1 Hour	None	Denver, Colorado
Studio Licensing and Documentation	Minimum of 6 Hours	None	Denver, Colorado
Operations	Minimum of 3 Hours	None	Denver, Colorado
Back Office Systems	Minimum of 3 Hours	None	Denver, Colorado
TOTALS	Minimum of 15 Hours		

Our training staff presently consists of T. Neel, (the owner of our three Indiana Franchises), M. Briger, and S. Smith who have had more than 32 years combined experience in various operational capacities relating to the operation of a Sola Salon business. Individually, Mr. Neel has 10 years and Mr. Briger and Mr. Stratton each have 11 years of individual experience in operation of a Sola Salon business. Training materials will consist of the Operations Manual, handouts and live instruction.

You or your designated Manager must attend training, but we do not charge an additional fee for this training or service unless more than two persons are attending. You will, however, be required to pay the travel and living expenses for you, your designated Manager, and your employee(s). All training, except any on-site training, will be held at our corporate headquarters in Denver, Colorado, or at another designated franchise. You must complete this training to our satisfaction or repeat this training, at no cost, prior to commencing operation of your franchise. After satisfactorily completing this initial training, there is no mandatory training requirement.

7. We may also provide to you on-site initial training at your Franchise and assistance with respect to opening activities within the first four weeks of the operation of your Franchise at no additional cost to you.

8. Unless otherwise agreed to in writing by the parties, you should be able to open your Initial Franchise unit no later than eighteen months after you sign a Franchise Agreement. The factors that affect this time are the ability to obtain a building or lease, obtain general business permits, training, financing or building permits, zoning and local ordinances, weather conditions, shortages, and installation of equipment, fixtures and signs. Unless otherwise agreed to in writing by the parties if you do not make reasonable efforts to open your franchise by the end of eighteen months we may terminate the Franchise Agreement and retain all monies received.

If you enter into a Multi Unit Developer Agreement (“MUDA”) with us and unless otherwise agreed to in writing, you will be required to sign our Multi-Unit Development Agreement (“MUDA”) (Exhibit H) and agree to open your additional units upon a set schedule.

Three (3) Unit MUDA: You agree to open the first unit within twelve (12) months, the second unit within 24 months and the third unit within 36 months.

Six (6) Unit MUDA: You agree to open the first unit within twelve (12) months, the second unit within 24 months, the third unit within 36 months, the fourth unit within 48 months and the fifth and sixth units within 60 months. In no event, will the opening of all of the units exceed 60 months, or five (5) years.

During the operation of the franchised business, we will:

1. Research new salon equipment, services and methods of doing business and provide you with information concerning developments of this research. (See Section 8.09 of the Franchise Agreement).

2. Offer you a reasonable amount of continuing advisory services by telephone during normal business hours. We may also provide to you visits by our field representative, but any additional on-site consultation or advisory services you request may incur a fee. (See Sections 8.04 and 8.07 of the Franchise Agreement).

3. We will include information about your Franchise on our Web site. (See Section 8.11 of the Franchise Agreement).

4. We do not provide to you a toll free support line.

5. In the future, we may implement a centralized purchasing system for you and negotiate prices and terms with suppliers. We may receive rebates from the suppliers for these purchases. We reserve the right to use these funds in our sole discretion. (See Sections 8.10 and 12.06 of the Franchise Agreement).

6. We may hold periodic regional or national conferences to discuss on-going changes in the industry, operational techniques, studio rental developments, personnel training, bookkeeping, accounting, advertising programs and new service procedures. You are required to attend these conferences. When we hold mandatory conferences, you will not be required to pay a conference fee, but you must pay all of the travel and living expenses for you and any other employees who attend. These conferences will be held at our corporate headquarters or at another location chosen by us. We estimate the cost of the travel and living expenses to attend the conferences to be between \$500 and \$1,000. We may provide other conferences from time to time, and you may be required to pay a conference fee for these additional conferences based upon the direct costs to us of retaining speakers and other direct expenses associated with the conference, but we estimate this cost to be no more than \$250 per person. You must pay all of the travel and living expenses for you and any other employees who attend. We will not receive any net income from these conferences. (See Section 8.05 of the Franchise Agreement).

7. Provide marketing, promotional materials, and services to you. Materials provided may include video and audiotapes, copy-ready print marketing materials, posters, banners and miscellaneous items. You will receive one sample of each at no charge. If you want additional copies you must pay duplication costs. We may use both outside advertising and marketing agencies and internal staff to create advertising. You may develop marketing materials for your own use, at your own cost. We must approve the marketing materials in advance and in writing within fifteen days from receipt. We reserve the right to utilize marketing developed by you for the use of all Franchisees without any payment or other compensation to you. (See Section 9.03 of the Franchise Agreement).

8. There are no restrictions on your marketing; except that you may not advertise independently on the World Wide Web (See Sections 4.03 and 9.01 of the Franchise Agreement) or outside your Protected Territory (except for direct mail advertising) and that your advertising must be approved by us.

Marketing Programs

Local

At the present time, you are required to market on a local basis as an individual Franchise or by local marketing agencies hired by you. You are required to spend a minimum of three thousand six hundred dollars (\$3,600) on marketing and promotion on an annual basis in your Protected Territory. Marketing and promotion costs include by are not limited to: mailers to potential customers, advertising, and meals and entertainment for existing customers. (See Section 9.02 of the Franchise Agreement.)

National Marketing Fund / Multi Area Marketing Programs

You will be required to participate in national advertising and/or multi-area marketing programs. All Franchisees are be required to pay to us a contribution to the National Marketing Fund ("Fund") or a Multi-Area Marketing Program(s) (MAM Programs) in a combined amount not to exceed 2% of your Gross Revenue at the same time and manner as the Royalty Fee. We will hold contributions to the Fund or MAM Program(s) in a separate bank account. The Fund and/or MAM Programs will be administered by Sola's marketing and accounting staff. All company-owned and affiliate-owned Sola Salon Studios will be required to contribute to the Fund and MAM Programs on the same basis as Franchisees. We will use the Fund or MAM Programs for local, regional, national, or international advertising or marketing, development, and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs. Sola will not derive income from the funds, but we may reimburse our administrative expenses incurred in administering the Fund or MAM Programs. We may also use the funds to offset or partially rebate the franchisee local media and printing expenses. Advertising expenditures may or may not be proportionate to your contributions or provide direct benefit to you or any other Franchisee. We are not required to spend any amount on advertising in your particular territory. We will spend the contributions to the Fund or MAM Programs in our discretion, and we have no fiduciary duty to you regarding the contributions. We may accumulate these funds, and the balance may be carried over to subsequent years. If the Fund or MAM Program(s) operate(s) at a deficit or require additional funds at any time, we

reserve the right to loan such funds to the Fund or MAM Program(s) on any terms we determine. An unaudited annual financial statement of the Fund and MAM Programs will be prepared within 120 days of the close of our fiscal year and will be available to any Franchisee upon written request.

Any advertising funds not spent in the fiscal year in which they accrue will be carried over to the next year. The fund will not be used to solicit the sale of franchises. We do not expend any part of the advertising fund to solicit new franchise sales.

In the fiscal year ending December 31, 2013, the Marketing Fund spent was used for the following: Design and development of new company website; Asset creation including photography, videography and copywriting; Design of customizable marketing materials; Social media strategy and advertising; Development of Live Chat feature on Sola website and Blog content and creation. In the fiscal year ending December 31, 2013, the Marketing Fund spent approximately 83% on Sola marketing collateral including website design/development and optimization, customizable marketing materials and asset creation; 5% on Social Media advertising and strategy; 2% on content creation and copywriting; and the remaining 10% on administrative costs such as monthly program and application fees, marketing material templating, printing and other nominal miscellaneous costs.

Regional Advertising Cooperative

Sola does not have the authority to require that any marketing cooperatives be formed, changed, dissolved or merged. Other than the local and National Advertising requirements, there are no Regional Advertising Cooperatives in which you must participate, join, or otherwise pay.

Other Advertising Information

Although we have not done so, we have the power to require a Franchisee Advisory Council to be formed, changed, dissolved or merged. If formed, we will periodically meet with a council(s) of Sola franchisees ("Franchisee Advisory Council") to provide us input. Members of the Franchisee Advisory Council will be selected by us from existing Franchisee's. We will give due consideration to all input from the council(s) but we retain the ultimate decision-making authority and responsibility for all of these matters. If we submit a matter for approval by the Franchisee Advisory Council, if one is formed, and that matter is approved by a majority vote of the Franchisee Advisory Council, that approval will be fully binding on you.

Schedule for Opening

It is estimated that the length of time between the signing of the Initial Franchise Agreement and the opening of your Business will usually be about nine to twelve months. Factors affecting this length of time include financing arrangements, property lease terms, construction or conversion requirements, and scheduling and completion of the training program.

If you enter into a Multi Unit Developer Agreement ("MUDA") with us and unless otherwise agreed to in writing, you will be required to sign our Multi-Unit Development Agreement ("MUDA") (Exhibit H) and agree to open your additional units upon a set schedule.

Three (3) Unit MUDA: You agree to open the first unit within twelve (12) months, the second unit within 24 months and the third unit within 36 months.

Six (6) Unit MUDA: You agree to open the first unit within twelve (12) months, the second unit within 24 months, the third unit within 36 months, the fourth unit within 48 months and the fifth and sixth units within 60 months. In no event, will the opening of all of the units exceed 60 months, or five (5) years.

Computer Systems, Proprietary Software, and Internet Access

We do not currently require you to purchase any particular brand of computer hardware or property management software to establish or operate the Business, but we do specify the standards for computer and communication equipment and Internet access. The minimum hardware requirement is a PC with 4 MB RAM and 100 GB Hard Drive. This hardware may be obtained from any computer reseller such as Office Max, Staples, Office Depot or Best Buy and will cost from \$1,000 to \$2,000. You will be required buy and/or license third-party property management software to use in the operation of your Franchise as prescribed in the Operations Manual. The software that you will use can be any generic property management software package that includes an integrated ACH component or payment processing function with internet capabilities as well as a basic accounting package. This software may be obtained from any computer reseller such as Office Depot, OfficeMax, Staples or Best Buy and will cost from \$150 to \$330. You must provide us access to the information contained in the software over the internet. However, we will be restricted to the information relating only to your franchise. Sola has the contractual right to poll the necessary data from your computer, but as a practical matter would be unable to do so without your cooperation. Sola will not have the right to access other types of data on your computer and does not have the ability to access it independently.

We reserve the right to specify computer hardware or software standards in the future. You must have access to the Internet, have an electronic mail address and periodically check your electronic mailbox and the portion of our Web site devoted to franchise owners. We have the sole right to market and sell on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. You may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless you first obtain written approval from us. Your general conduct on the Internet or other forms of electronic media, including your use of the Marks or any advertising, is subject to the terms and conditions of the Franchise Agreement and any other rules, requirements or policies that we may identify from time to time.

You may be required to upgrade your hardware and/or software in order to utilize the computerized system as technological advances require. You will be responsible for the cost of such upgrades. You will not be required to upgrade your hardware or software more often than once a year, at a maximum cost of \$1,000.

You are solely responsible for protecting yourself from viruses, computer hackers, and other communications and computer-related problems, and you may not sue us for any harm caused by such computer-related problems. You must also take reasonable steps to verify that any person or entity upon whom you rely is reasonably protected. This may include establishing firewalls, access code protection, anti-virus systems, and use of backup systems.

ITEM 12 TERRITORY

For each Franchise unit you purchase that is not located in major metropolitan downtown areas or similar defined Central Business Districts, you will receive an exclusive territory (“Protected Territory”) with a 2 mile radius. However, for a unit located in major metropolitan downtown areas or similar defined Central Business Districts, your Protected Territory will be limited to a 1 mile radius. Your Protected Territory will be defined in Attachment I of the Franchise Agreement and/or in Attachment A to the MUDA. Each Franchised unit purchased operate from one location approved by us and must receive our permission before relocating. We will grant approval to relocate if you are in compliance with the Franchise Agreement and/or the MUDA, you have paid all money owed to us and/or our affiliates, and the proposed location meets our site selection criteria as specified in the Manual. If you and Sola cannot agree on the site selection, then you must select two (2) alternative sites. Sola will give you an evaluation of each franchise. You may then choose any one of the three sites. Sola must approve or disapprove your site within 30 days after we receive notice of the franchise from you. If we cannot agree on any of the three sites, then Sola will send a representative to assist in site selection. The franchise agreement cannot be terminated due to failure to agree on site selection; however, unless otherwise agreed to in writing by the parties, the franchise agreement may be terminated for failure to designate a location within twelve (12) months of signing the franchise agreement. Neither Sola, nor any affiliate, will operate, through our current or a different trademark nor grant franchises for the same, similar or competitive business within your Protected Territory, but Sola, its affiliate and its franchisees have the right to do so anywhere outside your Protected Territory. Once established, and unless otherwise agreed to in writing by the parties, the boundaries of your Protected Territory will not be adjusted regardless of whether the population of your Protected Territory increases or decreases over time.

Your Protected Territory does not extend to, and you may not advertise independently on, the Internet or World Wide Web. We will maintain Sola Salon Studio Web pages which will include information regarding your Franchise. You may not solicit or advertise to people who reside outside the Protected Territory (other than direct mail solicitations) without the express written permission of Franchisor.

There is no minimum sales quota; however, there is a minimum royalty fee to encourage development of business in your territory. The minimum monthly royalty fee of \$500 is required. Failure to pay the royalties or minimum royalty is a material breach of the Franchise Agreement and may result in termination.

You do not receive the right to acquire additional franchises within your area or any contiguous area by this agreement alone. Each Franchise Agreement is a separate and distinct transaction between you and us. We intend to develop a strong system of multi-unit owners. You are

encouraged to purchase franchise rights to operate additional franchises within or outside your local trade area. You do not receive any rights to use any other channel of distribution for our products or services without our written consent.

Although we have not done so, we and our affiliates may sell products under the Marks within and outside your Protected Territory through any method of distribution other than a dedicated Sola location, including, sales through such channels of distribution as the Internet, catalog sales, telemarketing, or other direct marketing sales (together, "alternative distribution channels"). You may not use alternative distribution channels to make sales outside or inside your Protected Territory except as described in the following paragraph and you will receive no compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any System products or services calling for service or performance in your Protected Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will be entitled to no compensation in connection with this.

We and our affiliates can use alternative channels of distribution to make sales within your Territory of products or services under trademarks different from the Marks you will use under the Franchise Agreement, but we and our affiliates have not yet made any sales of this type.

We reserve the right, among others:

1. to own, franchise, or operate Franchises at any location outside of the Protected Territory, regardless of the proximity to your Franchised unit;
2. to use the Marks and the System to sell any salon equipment or services, or beauty supplies similar to those which you will sell, through any alternative channels of distribution within or outside of the Protected Territory. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchisees, or over the Internet. We exclusively reserve the Internet as a channel of distribution for us, and you may not independently market on the Internet or conduct e-commerce;
3. to purchase or be purchased by, or merge or combine with, any businesses, including a business that competes directly with your Franchise, wherever located; and
4. to implement multi-area marketing programs which may allow us or others to solicit or sell to customers anywhere. We also reserve the right to issue mandatory policies to coordinate such multi-area marketing programs.

**ITEM 13
TRADEMARKS**

We grant you the right to operate a business under our Marks, including the name “Sola Salon Studios.” By “trademark,” we mean tradenames, trademarks, service marks, and logos used to identify your Business. We operate the franchise system under the trademark “Sola Salon Studios.” This trademark is owned by our affiliate, Sola Salon Studios, LLC and is registered with the United States Patent and Trademark Office (“USPTO”) under Registration Number 3139111. We have been granted a license, by our affiliate, which is unrestricted as to purpose and unlimited as to duration of time, the exclusive right to use this and any other future trademark(s) owned by our affiliate. We have the exclusive right to license to our franchisees the right to use this trademark. We grant you the right to operate your Business under the name “Sola Salon Studios.” You may also use our other current or future Marks as we may designate to operate your Business. You must indicate, as required in the Franchise Agreement and specified in the Manual, that you are an independent operator of the Franchise and shall use the appropriate trademark and copyright marks as indicated by us.

The following trademarks have been approved for use by SSS, LLC with the United States Patent and Trademark Office (“USPTO”). SSS, LLC has licensed the use of its trademarks to Sola:

Description of Mark	Registration Date	Registration Number	Principal or Supplemental Register of the United States Patent and Trademark Office
Sola Salon Studios (word mark)	September 5, 2006	3139111	Principal
YOUR LIFE, YOUR STYLE (word mark)	September 17, 2013	4402781	Principal

You must follow our rules when you use any of the Marks. You may not use any of the Marks alone or with modifying words, designs or symbols as part of a corporate name or in any form on the Internet, including, but not limited to URLs, domain names, email addresses, locators, links, metatags or search techniques except as we license to you. You may not use any of the Marks in connection with the sale of an unauthorized product or service or in a manner not authorized by us in writing. Guidelines regarding proper trademark use and notices are set forth in the Manual and will be updated from time to time in our discretion.

There is no currently effective determination of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, or any pending interference, opposition or cancellation proceeding, or any pending material litigation involving the Marks which are relevant to your use of these Marks.

No currently effective litigation affects our use or ownership rights in a trademark. There are no currently effective agreements that significantly limit our rights to use or license the use of the Marks listed in this section in a manner material to the franchise. All required affidavits have been filed.

We have the right to control and administrative proceedings or litigation involving a trademark licensed by us to you. You must notify us within three days of when you learn about an infringement of or challenge to your use of our Marks. We will take the action necessary, in our sole and absolute discretion, to protect the unauthorized use of our Marks, which may include payment of reasonable costs associated with the action. We will indemnify you for any claims of infringement or challenges from use of Marks, and will be solely for the defense and the cost thereof.

You must modify or discontinue the use of a Mark if we modify or discontinue use. The use of a new or modified trademark may be required, and you may be required to replace existing signs using new signs displaying our new or modified trademark. If this happens, we will reimburse you for your tangible cost of compliance (for example, changing signs). You must not directly or indirectly contest our right to our Marks, trade secrets or business techniques that are part of our business.

We do not know of any infringing uses that could materially affect your use of our Marks. You should understand that there could be other businesses using trademarks, trade names, or other commercial symbols similar to our Marks with superior rights to our rights. Before starting your Franchise, you should research this possibility, using telephone directories, trade directories, Internet directories, or otherwise in order to avoid the possibility of having to change your Franchise name.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents and Copyrights:

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

There are no agreements currently in effect which significantly limit your right to use any of our copyrights. Also, there are no currently effective determinations of the USPTO, the U.S. Copyright Office (Library of Congress) or any court pertaining to or affecting any of our copyrights discussed above. As of the date of this disclosure document, we are unaware of any infringing uses of or superior previous rights to any of our copyrights which could materially affect your use of them in any state.

Your and our obligations to protect your rights to use our copyrights are the same as the obligations for Marks described in Item 13 of this disclosure document.

Confidential Information:

You may never - during the Initial Term, any Renewal Term, or after the Franchise Agreement expires or is terminated - reveal any of our confidential information to another person or use it for any other person or business. You may not copy any of our confidential information or give it to a third party except as we authorize. All persons affiliated with you who perform work for the business or who have access to our confidential information must first sign our Confidentiality/Non-Competition Agreement (Exhibit G).

Our confidential information will include services, technologies and procedures relating to the operation of a Sola's salon; systems of operation, services, programs, products, procedures, policies, standards, techniques, requirements and specifications which are part of the Sola System; the Manual: methods of advertising and promotion: instructional materials; and other matters.

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

You or a fully trained and qualified manager (“**Manager**”), who has completed our training program, must directly supervise and participate in the actual day-to-day operation the Franchise on a full-time basis. Neither you nor your Manager may have an interest or business relationship with any of our business competitors. If you are an entity, we do not require that your designated Manager own an equity interest in such entity. You are responsible for ensuring that your Manager, employees and contractors do not disclose our confidential information. Each of your officers, directors, partners, shareholders or members (and, if you are an individual, immediate family members) who perform work for the business or who have access to our confidential information must execute our standard Nondisclosure and Non-competition Agreement, a copy of which is attached to this Disclosure Document as Exhibit G. Other than the above, we make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees.

If you are a business entity, each of your officers, directors, shareholders, partners, and members, plus any individual who owns, directly or indirectly, a 20% or greater interest in you must also sign the Guaranty and Assumption of Franchisee's Obligations assuming and agreeing to discharge all of your obligations and comply with all restrictions under the Franchise Agreement. (See Attachment V to the Franchise Agreement).

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will offer to license to salon professionals only those salon studio spaces, booths, rooms, or other rentals that are authorized and approved by Sola. You are not restricted in your selection of

the salon professionals to whom you may offer studio space, booths, rooms, or other rentals provided such individuals are properly licensed in your state. You and your salon professionals will offer only those products and services that are authorized and approved by Sola. Sola reserves the right, in its sole discretion, to change the types of authorized products and services that you may offer, upon reasonable notice to you. There are no contractual limits on Sola’s right to make any such changes, but Sola will not make changes lightly. Sola reserves the right to set maximum prices for use with multi-area marketing and special price promotions.

Currently, you must purchase salon equipment, beauty supplies from its designated suppliers. You must use the services of Sola’s designated salon design firm. Sola reserves the right to designate alternative vendors from whom you will purchase salon equipment and beauty supplies.

**ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

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.

THE FRANCHISE RELATIONSHIP

	Provision	Section in Franchise Agreement	Summary For Franchise Agreement
A	Length of the franchise term	Section 3	10 years.
B	Renewal or extension of term	Section 3	If you are in good standing you can renew for ten additional terms of 10 years each.
C	Requirements for franchisee to renew or extend	Section 3	Sign new agreement, give timely notice of intent to renew, not be in default, not have been in material breach previously, be current in payments, pay the Renewal Fee. You may be asked to sign a new Franchise Agreement with materially different terms and conditions than your original contract, but the boundaries of the territory will remain the same, and the Continuing Royalty on renewal will be no greater than Royalties that we impose on similarly-situated renewing franchisees.
D	Termination by franchisee	Section 13.01	Breach by us of material provision and failure to cure following proper notice.
E	Termination by franchisor without cause	None	None
F	Termination by franchisor with cause	Section 13.02(a) & (b)	We can terminate if you commit any one of several violations with a written 30 days’ notice and for certain violations without any notice.

	Provision	Section in Franchise Agreement	Summary For Franchise Agreement
G	“Cause” defined - curable defaults	Section 13.02(a)	You have 30 days to cure, including failure to comply with the System, non-payment of fees and other obligations, failure to comply with federal, state or local laws or regulations, certain breaches of the agreement, failure to complete training as required, loss of possession of your business, affecting an unapproved transfer and liquidating or consolidating without our approval.
H	“Cause” defined - non-curable defaults	Section 13.02(b)	Non-curable defaults include misrepresentation by you, failure to complete initial training, bankruptcy, insolvency, or appointment of receiver, abandonment, trademark misuses and unapproved transfers. (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law.)
I	Franchisee’s obligations on termination/nonrenewal	Sections 13.03, 13.04	Obligations include complete de-identification, non-competition, return of confidential or critical business information and payment of amounts due.
J	Assignment of contract by franchisor	Section 14	No restriction on our right to assign.
K	“Transfer” by franchisee - defined	Section 14.03	Includes transfer of contract or assets or ownership change.
L	Franchisor approval of transfer by franchisee	Section 14.04-14.06	We have the right to approve all transfers but will not unreasonably withhold approval.
M	Conditions for franchisor approval of transfer	Section 14.04	Franchise must be open for business to the general public at the Premises, New Franchisee qualifies, Transfer Fee paid, purchase agreement approved, training arranged, general release signed by you, and current agreement signed by new Franchisee. Any brokers’ fees or commissions that arise because of the transfer must be paid by the Franchisee.
N	Franchisor’s right of first refusal to acquire franchisee’s Business.	Section 14.07	We can match any offer for your Business.
O	Franchisor’s option to purchase franchisee’s Business	Section 14.07	We may purchase Business if Franchise is terminated for any reason by Right of First Refusal.
P	Death or disability of franchisee	Section 14.06	Franchise must be assigned by estate to approved transferee within 120 days.

	Provision	Section in Franchise Agreement	Summary For Franchise Agreement
Q	Non-competition covenants during the term of franchise	Section 15.01	No involvement in competing business anywhere in U.S.
R	Non-competition covenants after the franchise is terminated or expires	Section 15.01	No competing business for 2 years within 50 miles from the boundary of your Protected Territory or from another Sola Salon Studios franchise, company-owned Franchise, or on the Internet (including after assignment).
S	Modification of agreement	Sections 7.04, 8.09, 18.02	No modifications generally but Manual and the System are subject to change.
T	Integration/merger clause	Section 18.01	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the Franchise Agreement may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 16	Except for certain claims, all disputes must be arbitrated.
V	Choice of forum	Section 16.06	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of Colorado. (subject to state law).
W	Choice of law	Section 16.06	Colorado law applies. (subject to state law).

See Exhibit E, the state addenda to the Franchise Agreement and disclosure document for special state disclosures.

THE MULTI UNIT DEVELOPER RELATIONSHIP

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

	Provision	Section in MUDA Agreement	Summary For MUDA Agreement
A	Length of the MUDA term	Section 4.1	Date of execution and, unless earlier terminated, end on the last day of the calendar month that the final Location is required to be developed and opened under the Development Schedule
B	Renewal or extension of term	Not Applicable	Not Applicable

	Provision	Section in MUDA Agreement	Summary For MUDA Agreement
C	Requirements for franchisee to renew or extend	Not Applicable	Not Applicable
D	Termination by franchisee	Section 4.2	Termination by Franchisee for any reason with 60 days prior written notice
E	Termination by franchisor without cause	None	None
F	Termination by franchisor with cause	Section 4.3 and 4.4	We can terminate if you commit any one of several violations immediately upon notice or with 30 day notice.
G	“Cause” defined - curable defaults	Section 4.4	You have 30 days to cure, including Failure to Maintain Standards, Deceptive Practices Failure to Obtain Consent, Failure to Comply with Manual, Breach of Franchise Agreement, Failure to Timely Develop.
H	“Cause” defined - non-curable defaults	Section 4.3	Immediate termination upon receipt of notice. Non-curable defaults include Abandonment, Insolvency, Assignments, Unsatisfied Judgments, Levy, Foreclosure, Criminal Conviction, Failure to Make Payments, Misuse of Marks, Unauthorized Disclosure, Violation of Restrictive Covenants, Repeated Noncompliance, Unauthorized Transfer, (Termination upon bankruptcy may not be enforceable under U.S. Bankruptcy Law.)
I	Franchisee’s obligations on termination/nonrenewal	Franchise Agreement (“FA”) Sections 13.03, 13.04	Obligations include complete de-identification, non-competition and payment of amounts due, return of confidential or critical business information.
J	Assignment of contract by franchisor	Section 5.1	No restriction on our right to assign.
K	“Transfer” by franchisee - defined	Section 5.2	Includes transfer of contract or assets or ownership change. Transfer must be to an “Approved Affiliate”.
L	Franchisor approval of transfer by franchisee	Section 5.2	Transfers are not permitted. except to an “Approved Affiliate” we have the right to approve all transfers in our sole discretion.

	Provision	Section in MUDA Agreement	Summary For MUDA Agreement
M	Conditions for franchisor approval of transfer	Section 5.2	One of the individual owners of the Approved Affiliate or the Franchisee, if the Franchisee is the parent of the Approved Affiliate, who has a minimum of 15% of the ownership interest in the Approved Affiliate or the Franchisee, shall be designated by the Franchisee to supervise and direct the operations of the Location and each other Location developed hereunder (“Managing Owner”); and general release signed by you, and current agreement signed by new Franchisee.
N	Franchisor’s right of first refusal to acquire franchisee’s Business.	FA: Section 14.07	We can match any offer for your Business.
O	Franchisor’s option to purchase franchisee’s Business	FA: Section 14.07	We may purchase Business if Franchise is terminated for any reason by Right of First Refusal.
P	Death or disability of franchisee	FA: Section 14.06	Franchise must be assigned by estate to approved transferee within 120 days.
Q	Non-competition covenants during the term of franchise	FA: Section 15.01	No involvement in competing business anywhere in U.S.
R	Non-competition covenants after the franchise is terminated or expires	FA: Section 15.01	No competing business for 2 years within 50 miles from the boundary of your Protected Territory or from another Sola Salon Studios franchise, company-owned Franchise, or on the Internet (including after assignment).
S	Modification of agreement	MUDA Section 8.4 FA Sections 7.04, 8.09, 18.02	No modifications generally but Manual and System are subject to change.
T	Integration/merger clause	Section 8.5	Only the terms of the MUDA Agreement are binding (subject to state law). Any representations or promises made outside the disclosure document and the MUDA may not be enforceable. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.
U	Dispute resolution by arbitration or mediation	Section 7.1	Except for certain claims, all disputes must be arbitrated.
V	Choice of forum	Section 7.2	Arbitration and actions for injunctive relief, claims based on the Marks, or on covenants not to compete must be in the State of Colorado. (subject to state law).

	Provision	Section in MUDA Agreement	Summary For MUDA Agreement
W	Choice of law	Section 7.2	Colorado law applies. (subject to state law).

**ITEM 18
PUBLIC FIGURES**

We do not use any public figure to promote our franchise.

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchisee 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.

This financial performance representation shown in the tables below is the average, at the end of calendar year 2013, for a subset of eleven (11) Sola Salon Studios owned by our affiliate, Sola Salon Studios, LLC. These Sola Salon Studios (the "Affiliate-Owned Salons"), are located in urban or suburban areas. The table does not include any financial performance information for any franchisee-owned Salons because we do not have all necessary data to compile such tables. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

These eleven (11) Affiliate-Owned Salons are located in Colorado and have a Protected Territory of a 3 mile radius. The numbers presented below represent the occupancy rate, rental rates and construction cost of the Company Salons through fiscal year 2013.

Individual salon studios, located within an Affiliate-Owned Salon, although essentially the same may vary slightly based on market conditions, demand for specific products, the requirements of customers, and the sales skills utilized by the employees of each individual Salon. The gross revenue produced by each Sola Salon Studio will depend on a wide range of factors including, but not limited to, geographic differences, competition within the immediate market area, the quality of the rental space, consumer demand, and the marketing skills and sales efforts employed by each franchisee. The profitability of individual studios will depend on a number of factors which may vary due to the individual characteristics of each location. Factors affecting the net profits may include, but are not limited to, commercial lease rates, the costs of

labor, insurance, utilities, supplies, and compliance with state and local laws regulating the provision of salon rental space, including any state-specific rental requirements.

Below is a Sola Salon Studio's "Historical Data Sheet", which is our only authorized statement regarding financial results relating to our Affiliate -Owned Salons. It should be read in its entirety, including the discussion of factual basis and material assumptions and all disclaimers, since all of it is important to your decision. Note that these figures have not been audited or prepared in accordance with generally accepted accounting standards and do not meet professional or other standards for complete financial statements.

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

Before signing any binding documents or making any investment, you should make your own independent investigation regarding the possible purchase of a Sola Salon Studios Franchise.

HISTORICAL DATA

These figures represent historical operating figures for the eleven (11) established Affiliate-Owned Salons located in Colorado for the fiscal year 2013.

This information is based upon business records and financial statements.

HISTORICAL DATA

Occupancy at Year End (1)												
	Open Date	Studios	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Highlands Ranch, CO	Jul-04	28	100%	100%	100%	100%	97%	93%	89%	89%	81%	72%
Boulder, CO	Feb-05	35		26%	55%	74%	92%	97%	94%	100%	97%	87%
Cherry Creek, CO	Mar-05	43		61%	89%	77%	86%	84%	100%	100%	100%	96%
Centennial, CO	Mar-06	16			94%	100%	91%	100%	100%	100%	90%	85%
Aurora, CO	Jun-06	27			93%	85%	72%	85%	70%	85%	93%	90%
Littleton, CO	Sep-07	23				100%	97%	91%	96%	96%	80%	96%
Greenwood Village, CO	Apr-08	29					80%	73%	58%	89%	97%	87%

Arvada, CO	Apr-09	21						67%	90%	90%	88%	100%
Aurora, CO	Sep-10	27							81%	100%	100%	100%
Westminster, CO	Jun-11	22								100%	100%	100%
Centennial, CO (South Glenn)	May-12	26									62%	77%

(1) Based on occupied or leased studios divided by total studios at year end.
Represents physical occupancy versus economic occupancy.

Weekly Studio Rates at Year End (1)									
	2011			2012			2013		
	SS	LS	DS	SS	LS	DS	SS	LS	DS
Highlands Ranch, CO	223	325	446	229	335	458	229	335	458
Boulder, CO	200	283	400	205	392	410	205	292	410
Cherry Creek, CO	280	375	565	285	380	570	285	380	570
Centennial, CO	223	325	446	229	335	458	229	335	458
Aurora, CO	175	240	350	185	245	370	185	245	370
Littleton, CO	222	335	464	223	335	480	223	335	480
Greenwood Village, CO	232	335	475	232	345	464	232	345	464
Arvada, CO	221	324	464	221	324	464	221	324	464
Aurora, CO	227	325	500	227	335	515	227	335	515
Westminster, CO	210	314	440	217	325	455	217	325	455
Centennial, CO (South Glenn)				240	330	500	229	335	458

(1) The figures in each column represents year end rental rates for Standard Single (SS), Large Single (LS) and Double Studios (DS).

Construction Information (2)					
	Square Footage	Studios	Gross Construction Cost (1)	Cost Per Square Foot	Cost Per Studio
Highlands Ranch, CO	5,549	28	\$606,000	\$109	\$21,643
Boulder, CO	6,800	35	\$717,000	\$105	\$20,486
Cherry Creek, CO	9,000	43	\$981,000	\$109	\$22,814
Centennial, CO	3,600	16	\$451,000	\$125	\$28,188
Aurora, CO	5,300	27	\$656,000	\$124	\$24,296
Littleton, CO	4,500	23	\$447,000	\$99	\$19,435

Construction Information (2)					
	Square Footage	Studios	Gross Construction Cost (1)	Cost Per Square Foot	Cost Per Studio
Greenwood Village, CO	5,500	29	\$766,000	\$139	\$26,413
Arvada, CO	4,550	21	\$574,000	\$126	\$27,333
Aurora, CO	5,350	27	\$724,000	\$135	\$26,815
Westminster, CO	4,765	22	\$632,000	\$133	\$28,727
Centennial, CO (South Glenn)	4,712	26	\$655,000	\$139	\$25,192

1) Represents actual costs (rounded to the nearest \$1,000) for construction, equipment and professional fees, but does not include: marketing costs, working capital or Franchise Fees. The gross construction costs are represented before any reimbursement from landlords in the form of tenant improvement allowances.

2) All construction costs listed are for conversion locations.

NOTES

We only included Affiliate-Owned Salons because we do not have sufficient data to include franchisee owned locations. We do not have the all necessary figures for franchisee owned locations, therefore they were not included.

We do not furnish or authorize our salespersons to furnish any oral or written information concerning the actual or potential sales, income, costs, or profits of a Sola Salon Studio other that disclosed here

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

**Table No. 1
Systemwide Office Summary
For years 2011 to 2013 (As of December 31 of each year)**

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2011	50	64	+14
	2012	64	81	+17
	2013	81	128	+47
Affiliate-Owned	2011	9	10	+1

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
	2012	10	11	+1
	2013	11	11	+0
Total Locations	2011	59	74	+15
	2012	74	92	+18
	2013	92	139	+47

Table No. 2
Transfers of Offices from Franchisees to New Owners (other than the Franchisor)
For years 2011 to 2013 (As of December 31 of each year)

STATE	YEAR	NUMBER OF TRANSFERS
Total Outlets	2011	0
	2012	0
	2013	0

Table No. 3
Status of Franchised Locations
For years 2011 to 2013 (As of December 31 of each year)

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
Alabama	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
Arkansas	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Arizona	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	1	0	0	0	0	3
California	2011	12	4	0	0	0	0	16
	2012	16	4	0	0	0	0	20

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
	2013	20	8	0	0	0	0	28
Colorado	2011	1	0	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Florida	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	3	0	0	0	0	4
Georgia	2011	5	0	0	0	0	0	5
	2012	5	0	0	0	0	0	5
	2013	5	2	0	0	0	0	7
Illinois	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	0	0	0	0	0	2
Indiana	2011	3	0	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	2	0	0	0	0	5
Kansas	2011	5	0	0	0	0	0	5
	2012	5	1	0	0	0	0	6
	2013	6	0	0	0	0	0	6
Kentucky	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Louisiana	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Michigan	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Minnesota	2011	2	0	0	0	0	0	2
	2012	2	0	0	0	0	0	2
	2013	2	3	0	0	0	0	5
Missouri	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Nebraska	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
Nevada	2011	5	1	0	0	0	0	6
	2012	6	0	0	0	0	0	6
	2013	6	0	0	0	0	0	6

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
New Mexico	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	1	0	0	0	0	1
New York	2011	0	1	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
North Carolina	2011	3	3	0	0	0	0	6
	2012	6	4	0	0	0	0	10
	2013	10	1	0	0	0	0	11
Ohio	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	3	0	0	0	0	4
Oklahoma	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
Oregon	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2
	2013	2	1	0	0	0	0	3
South Carolina	2011	0	0	0	0	0	0	0
	2012	0	0	0	0	0	0	0
	2013	0	2	0	0	0	0	2
South Dakota	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	1	0	0	0	0	2
Tennessee	2011	2	1	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	2	0	0	0	0	5
Texas	2011	2	2	0	0	0	0	4
	2012	4	0	0	0	0	0	4
	2013	4	6	0	0	0	0	10
Vermont	2011	1	0	0	0	0	0	1
	2012	1	0	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Virginia	2011	2	1	0	0	0	0	3
	2012	3	0	0	0	0	0	3
	2013	3	1	0	0	0	0	4
Washington	2011	0	1	0	0	0	0	1
	2012	1	1	0	0	0	0	2

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
	2013	2	1	0	0	0	0	3
Wisconsin	2011	0	0	0	0	0	0	0
	2012	0	1	0	0	0	0	1
	2013	1	0	0	0	0	0	1
Total Outlets	2011	50	14	0	0	0	0	64
	2012	64	17	0	0	0	0	81
	2013	81	47	0	0	0	0	128

Table No. 4
Status of Company-Owned Offices
For years 2011 to 2013 (As of December 31 of each year)

STATE	YEAR	OUTLETS AT START OF YEAR	OUTLETS OPENED	OUTLETS REACQUIRED FROM FRANCHISEES	OUTLETS CLOSED	OUTLETS SOLD TO FRANCHISEES	OUTLETS AT END OF THE YEAR
Colorado	2011	9	1	0	0	0	10
	2012	10	1	0	0	0	11
	2013	11	0	0	0	0	11
Total Outlets	2010	9	1	0	0	0	10
	2011	10	1	0	0	0	11
	2012	11	0	0	0	0	11

These “Company Owned” locations are owned and operated by our affiliate, Sola Salon Studios, LLC

TABLE NO. 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2013

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	1	1	0
Arkansas	2	2	0
California	13	13	0
Colorado	2	2	0
Connecticut	2	2	0
Florida	5	5	0
Illinois	3	3	0
Indiana	0	0	0
Iowa	1	1	0
Kansas	1	1	0

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
Kentucky	3	3	0
Louisiana	1	1	0
Maryland	3	3	0
Massachusetts	1	1	0
Michigan	2	2	0
Minnesota	2	2	0
Mississippi	1	1	0
Missouri	1	1	0
Nevada	1	1	0
New York	2	2	0
North Carolina	3	3	0
North Dakota	1	1	0
Ohio	1	1	0
Oklahoma	1	1	0
Oregon	2	2	0
Tennessee	1	1	0
Texas	7	7	0
Utah	1	1	0
Virginia	5	5	0
Washington	1	1	0
Wisconsin	3	3	0
TOTALS	73	73	0

Lists of Current and Former Franchises:

The Chart below lists the names of all current franchises and the addresses and telephone numbers of their outlets as of December 31, 2013.

Franchisee Owned

Franchise Name	Owner Name	Address	City	State	Zip	Phone
Sola Birmingham, LLC	King Rogers	3780 Riverchase Village, Ste.500	Birmingham	AL	35244	615-521-9507
Tennessee Valley Salons LLC	Glenn Bone	809 Shoney Drive, Ste 204	Huntsville	AL	35801	770-331-4688
LSMS, Inc.	Max Steiner	12310 Chenai Pkwy.	Little Rock	AR	72211	870-307-9828
Sola Tucson, LLC	Camera Wold	6262 N. 1 st Ave	Tucson	AZ	85719	520-334-8284
Sola Select, LLC	Rosann Woods	5855 E. Broadway	Tucson	AZ	85711	520-444-3718
Sola Select, LLC	Rosann Woods	7090 N. Oracle Rd. Ste 80	Tucson	AZ	85704	520-444-3718
Salon Properties, Inc.	Chris Haines	2015 Birch Rd., Ste 401	Chula Vista	CA	91915	951-840-8100

Franchise Name	Owner Name	Address	City	State	Zip	Phone
Bristol Louise LLC	Matt Brooks	1815 Newport Blvd.	Costa Mesa	CA	92627	949-212-0417
EshVar Holdings	Kiron Haltore	20540 Stevens Creek Blvd.	Cupertino	CA	95014	408-921-5298
Flatiron LLC	Lisa Schmidt	760 Camino Ramon, Suite 150	Danville	CA	94526	408-688-6075
Cavan-California, LLC	Scott Vanderhoofven	2041 Rosecrans Ave.	El Segundo	CA	90245	316-648-2239
Hawbrook Encinitas, LLC	Austin Campbell	285 El Camino Real, #101	Encinitas	CA	92024	858-386-3630
Kirby Ramsey LLC	Aaron Ramsey	500 Plaza Drive	Folsom	CA	95630	303-417-1784
Hawbrook La Jolla, LLC	Austin Campbell	5726 La Lolla Blvd	La Lolla	CA	92037	858-386-3630
La Quinta Sola LLC	Randy Sinnett	79430 Highway 111	La Quinta	CA	92253	619-481-2001
Wild Blue Sola, LLC	Ken Hwang	12121 Wilshire Blvd.	Los Angeles	CA	90025	424-835-0622
12S, LLC	Erik Van Horn	27741 Crown Valley Pkwy., Ste 201	Mission Viejo	CA	92691	605-645-1465
Flatiron LLC	Lisa Schmidt	6010 Johnson Drive, Suite D	Pleasanton	CA	94588	408-688-6075
L3W-Sola-SBCo, LP	Luke Weidel	10828 Foothills Blvd., Ste 100	Rancho Cucamonga	CA	91730	303-503-6680
L3W-Sola-SBCo, LP	Luke Weidel	11940 Foothills Blvd., Ste 221	Rancho Cucamonga	CA	91739	303-503-6680
Kirby Ramsey LLC	Aaron Ramsey	2340 Sunset Blvd	Rocklin	CA	95765	303-417-1784
Kirby Ramsey LLC	Aaron Ramsey	1850 Sierra Gardens Dr	Roseville	CA	95661	303-417-1784
Kirby Ramsey LLC	Aaron Ramsey	947 Enterprise Drive	Sacramento	CA	95864	303-417-1784
Kirby Ramsey LLC	Aaron Ramsey	621 Capital Mall Drive	Sacramento	CA	95814	303-417-1784
Hawbrook Mission Valley LLC	Austin Campbell	404 Camino del Rio South	San Diego	CA	92108	858-386-3630
Hawbrook Friars, LLC	Austin Campbell	1450 Frazee Road	San Diego	CA	92108	858-386-3630
Eleven Partners LLC	David Raduziner	600 Market Street	San Francisco	CA	94104	303-522-5455
The Lochner Corp.	David Tripp	1082 Lincoln Ave.	San Jose	CA	95125	415-850-6320
Eleven Eleven Partners LLC	David Raduziner	4060 El Camino Real, Suite 100	San Mateo	CA	94403	303-522-5455
Cavan-California, LLC	Scott Vanderhoofven	26615 Bouquet Canyon Road	Santa Clarita	CA	91350	316-648-2239
Mad Dog Salons, LLC	Craig Fitchett	15125 Ventura Blvd	Sherman Oaks	CA	91403	310-913-9354
Origo Group, Inc.	Randy Sinnett	32467 Temecula Parkway	Temecula	CA	92592	619-481-2001
Cavan-California, LLC	Scott Vanderhoofven	43A West Thousand Oaks Blvd.	Thousand Oaks	CA	91360	316-648-2239
Flatiron LLC	Lisa Schmidt	1651 Botelho Dr., Suite 190	Walnut Creek	CA	94596	408-688-6075

Franchise Name	Owner Name	Address	City	State	Zip	Phone
Sola Salon Fort Collins LLC	Brian Bair	4637 South Mason Street	Fort Collins	CO	80525	303-926-4949
Sola Salon Longmont LLC	Brian Bair	700 Ken Pratt Blvd.	Longmont	CO	80501	415-269-2448
Sola RP, LLC	Peter Bobeck	3251 N. University Dr.	Coral Springs	FL	33065	260-432-1000
Four S Tampa LLC	Haynes Chidsey	33295 US 19 N.	Palm Harbor	FL	34684	303-634-2220
RMS Freedom Partners, LLC	Richard Saltzman	15241 N Dale Mabry Highway	Tampa	FL	33618	813-373-4907
RMS Freedom Partners, LLC	Richard Saltzman	18061 Highwoods Preserve Pkwy	Tampa	FL	33647	813-373-4907
MK Sola, LLC	Kaj Patel	596 Bobby Jones Expressway #180	Augusta	GA	30907	864-915-0514
Four S LLC	Haynes Chidsey	12872 Highway 9	Alpharetta	GA	30004	303-634-2220
Four S LLC	Haynes Chidsey	4920 Roswell Road	Atlanta	GA	30342	303-634-2220
Four S LLC	Haynes Chidsey	5805 State Bridge Rd,	Duluth	GA	30097	303-634-2220
Four S LLC	Haynes Chidsey	2920 George Busbee Parkway	Kennesaw	GA	30144	303-634-2220
Four S Atlanta LLC	Haynes Chidsey	3221 Cobb Parkway	Kennesaw	GA	30152	303-634-2220
Four S LLC	Haynes Chidsey	1062 Johnson Ferry Road	Marrieta	GA	30068	303-634-2220
SNIP Ventures LLC	Guy Pisani	930 Roosevelt Road	Glen Ellyn	IL	60137	847-348-8848
SNIP Ventures LLC	Guy Pisani	15752-A South La Grange Rd	Orland Park	IL	60462	847-348-8848
Sola Indy LLC	Todd Neel	726 Adams Street, Suite 100	Carmel	IN	46032	317-429-6910
Spaceman Ventures, LLC	Joe Gravitt	585 N. Green River Rd.	Evansville	IN	47715	317-721-9395
Sola Indy LLC	Todd Neel	11801 Commercial Drive	Fishers	IN	46038	317-429-6910
Spaceman Ventures, LLC	Joe Gravitt	1238 East University Dr.	Granger	IN	46530	317-721-9395
Sola Indy LLC	Todd Neel	8532 Castleton Corner Drive	Indianapolis	IN	46250	317-429-6910
Salon Partners, LLC	Van Witthuhn	11708 West 95 th	Overland Park	KS	66214	785-625-6539
Salon Partners, LLC	Van Witthuhn	8959 Metcalf Avenue	Overland Park	KS	66214	785-625-6539
Salon Partners, LLC	Van Witthuhn	13348 Metcalf Avenue	Overland Park	KS	66213	785-625-6539
Salon Partners, LLC	Van Witthuhn	7612 Stateline Road	Prairie Village	KS	66206	785-625-6539
Cavan Investments, LLC	Scott Vanderhoofven	7724 E. 37 th Street North	Wichita	KS	67226	316-648-2239
Sola West LLC	Scott Vanderhoofven	2343 N. Tyler	Wichita	KS	67205	316-648-2239
Platinum Partners LLC	Tom Beyrer	1850 S. Hurstbourne Parkway	Louisville	KY	40220	317-514-5633
Platinum Partners LLC	Tom Beyrer	2809 N.. Hurstbourne Parkway	Louisville	KY	40223	317-514-5633

Franchise Name	Owner Name	Address	City	State	Zip	Phone
Sola Salons Louisiana LLC	Scott Daughril	8342 Perkins Road	Baton Rouge	LA	70810	281-687-6703
Nola Studios, LLC	Todd Houghton	5229 Pinnacle Pkwy.	Covington	LA	70433	720-373-9225
Sola Grand Rapids, LLC	Michael Grey	6455 28th St., SE	Grand Rapids	MI	49546	312-513-5050
Style Properties, Inc.	Kerr Holbrook	14358 Burnhaven Drive	Burnsville	MN	55306	303-330-7838
Style Properties, Inc.	Kerr Holbrook	3519 West 70th Street	Edina	MN	55435	303-330-7838
SD Ventures, LLC	Austin Lucas	4530 Maine Ave. SE Ste 513	Rochester	MN	55904	605-280-3676
Little North Fork, LLC	Jeff Elgin	2401 Fairview Ave. N.	Roseville	MN	55113	952-345-8422
Little North Fork, LLC	Jeff Elgin	9020 Hudson Rd.	Woodbury	MN	55125	952-345-8422
Harris 4 and Dogs, Inc.	Scott Harris	1839-B East Independence Ave.	Springfield	MO	65804	417-887-7557
SolaJAM, LLC	Dave Janousek	7640 Towne Center Pkwy	Papillion	NE	68046	303.709.9642
Four S LLC	Haynes Chidsey	800 West Williams Street	Apex	NC	27502	303-634-2220
Four S LLC	Haynes Chidsey	1269 Kildaire Farm Road	Cary	NC	27511	303-634-2220
Four S LLC	Haynes Chidsey	200 South Blvd., Suite 420	Charlotte	NC	28203	303-634-2220
Four S LLC	Haynes Chidsey	6324 Fairview Road	Charlotte	NC	28210	303-634-2220
Four S LLC	Haynes Chidsey	8035 Providence Road	Charlotte	NC	28277	303-634-2220
Four S LLC	Haynes Chidsey	2015 East Arbors Drive	Charlotte	NC	28262	303-634-2220
Four S LLC	Haynes Chidsey	20619 Torrence Chapel Road	Cornelius	NC	28031	303-634-2220
Four S LLC	Haynes Chidsey	1901 NW Cary Parkway	Morrisville	NC	27560	303-634-2220
Four S LLC	Haynes Chidsey	8111 Creedmoor Rd., Unit 146	Raleigh	NC	27613	303-634-2220
Four S LLC	Haynes Chidsey	111 Seaboard Ave.	Raleigh	NC	27604	303-634-2220
Four S Raleigh, LLC	Haynes Chidsey	2227 Cloverdale Ave.	Winston Salem	NC	27103	303-634-2220
Sola Salons LLC	Russell Nordstrom	170 S Green Valley Parkway	Henderson	NV	89012	303-883-0911
Sola Salons LLC	Russell Nordstrom	2986 St., Rose Parkway	Henderson	NV	89052	303-883-0911
Sola Salons LLC	Russell Nordstrom	9340 W Tropicana Avenue	Las Vegas	NV	89147	303-883-0911
Sola Salons LLC	Russell Nordstrom	8680 W. Warm Springs Road	Las Vegas	NV	89148	303-883-0911
Sola Salons LLC	Russell Nordstrom	5643 Centennial Center Blvd	Las Vegas	NV	89149	303-883-0911
Sola Salons LLC	Russell Nordstrom	8975 W. Charleston Blvd.	Las Vegas	NV	89145	303-883-0911
SSNM, LLC	Joe Gantos	6600 Indian School Rd.	Albuquerque	NM	87110	720-810-7723

Franchise Name	Owner Name	Address	City	State	Zip	Phone
445 Salons LLC	Frank LoFrisco	445 Hamilton Ave., Suite 100	White Plains	NY	10601	212-748-9649
Fairlawn Sola Group, LLC	Michael Meacham	3029 Smith Rd.	Fairlawn	OH	44333	440-315-7798
Sola Professional Group, LLC	Michael Meacham	24723 Cedar Rd.	Lyndhurst	OH	44124	440-315-7798
Salon Image Solutions, LLC	Ralph Meierjohan	9313 Mason Montgomery Rd.	Mason	OH	45040	513-313-8605
Ohio Solas, LLC	Michael Meacham	16746 Pearl Road	Strongsville	OH	44136	440-315-7798
Badger, LLC	Mark Schwenker	1032 Waterwood Pkwy.	Edmund	OK	73034	972-989-3714
Tulsa Salons, LLC	Cory Hughes	9219 E. 71 st St.	Tulsa	OK	74133	913-235-8019
Style Partners LLC	Myrle McNeal	3905 SW 117th Ave., Suite M	Beaverton	OR	97005	303-641-2152
Style Pearl, LLC	Myrle McNeal	510 NW 10 th Ave.	Portland	OR	97209	303-641-2152
Style Partners LLC	Myrle McNeal	17942 SW McEwan Rd	Tualatin	OR	97224	303-641-2152
South Carolina Styling, LLC	David Coker	1220 Bower Pkwy	Columbia	SC	29220	843-656-1060
South Carolina Styling, LLC	David Coker	648 Longpoint Rd. Ste A	Mt. Pleasant	SC	29464	843-656-1060
Dakotah Sola, LLC	Nicole Ossenfort	501 Main Street	Rapid City	SD	57701	605-484-9218
Sola of SD, LLC	Steve Scheopp	6010 S. Minnesota Ave.	Sioux Falls	SD	57108	605-881-5541
Eleven Eleven Partners LLC	David Raduziner	18 Cadillac Drive	Brentwood	TN	37027	303-522-5455
Eleven Eleven Partners LLC	David Raduziner	1731 Mallory Lane, Suite 100	Brentwood	TN	37027	303-522-5455
Eleven Eleven Tennessee LLC	David Raduziner	206 Indian Lake Blvd.	Henderson	TN	37075	303-522-5455
Knoxville Studios Holdings, LLC	Seth Argo	4928 Homberg Dr. Bldg. B	Knoxville	TN	37919	615-517-5685
Eleven Eleven Partners LLC	David Raduziner	5133 Harding Pike	Nashville	TN	37205	303-522-5455
ND Partners, LLC	Mark Linder/Scott Jackson	5611 Colleyville Blvd. Ste 240	Colleyville	TX	76034	214-244-8945
ND Partners, LLC	Mark Linder/Scott Jackson	11909 Preston Road, #1436	Dallas	TX	75230	214-244-8945
ND Partners, LLC	Mark Linder/Scott Jackson	5260 S Hulen St.	Ft. Worth	TX	76132	214-244-8945
ND Partners, LLC	Mark Linder/Scott Jackson	200 Marketplace Lane, Ste 200	Highlands Village	TX	75077	214-244-8945
BCCD Holdings LLC	Louie Crapitto	23930 Westheimer Pkwy	Katy	TX	77494	713-888-4054
ND Partners, LLC	Mark Linder/Scott Jackson	3190 S. Central Expressway, Suite 150	McKinney	TX	75070	214-244-8945

Franchise Name	Owner Name	Address	City	State	Zip	Phone
ND Partners, LLC	Mark Linder/Scott Jackson	3405 Midway Road	Plano	TX	75093	214-244-8945
ND Partners, LLC	Mark Linder/Scott Jackson	1900 Preston Rd. Ste 345	Plano	TX	75093	214-244-8945
Sola Houston 1, LLC	John Platten	17947 I-45 S, Ste 226	Shenandoah	TX	77385	303-597-1530
ND Partners, LLC	Mark Linder/Scott Jackson	151 N. Nolan Drive, Suite 160	Southlake	TX	76090	214-244-8945
Sola Bermuda Crossroads LLC	David Aschheim	12108 Bermuda Crossroads Ln	Chester	VA	23831	804-302-4498
Sola Richmond LLC	David Aschheim	4300 Pouncey Tract	Glen Allen	VA	23233	804-302-4498
Sola Richmond LLC	David Aschheim	5005 Craig Rath Blvd.	Midlothian	VA	23112	804-302-4498
Sola Richmond LLC	David Aschheim	2021 Walmart Way	Midlothian	VA	23113	804-302-4498
Sola Salons Burlington, LLC	Phil Tonks	2141 Essex Road	Williston	VT	05495	802-456-7012
Seattle Sola, LLC	John Harlan	909 112 th Ave., Ste 105	Bellevue	WA	98004	303-887-8815
Seattle Sola, LLC	John Harlan	909 112 th Ave., Ste. 205	Bellevue	WA	98004	303-887-8815
Seattle Sola, LLC	John Harlan	1823 Terry Ave., Ste 105	Seattle	WA	98101	303-887-8815
WI Sola Salon LLC	Dan Hoeck	4780 Integrity Way	Grand Chute	WI	54913	920-366-7652

Franchise Agreements signed, outlets not yet open

Franchise Name	Owner Name	City	State	Phone
Sola Birmingham, LLC	Rogers, King	Birmingham	AL	615-521-9507
21st Century Salons LLC	Banwart, Donna & Jim	Fayetteville	AR	620-223-4300
Jack Duckett	Jack Duckett	Jonesboro	AR	573-718-2615
AGG Salon 1, LLC	Avery Gavigan	Phoenix	AZ	415-699-1556
Auburn Sola, LLC	Aaron Ramsey	Auburn	CA	303-417-1784
Hawbrook Carlsbad LLC	Austin Campbell	Carlsbad	CA	858-386-3630
Parr Development, LLC	Arlene Parr	Corona	CA	714-222-0416
Elk Grove Sola, LLC	Aaron Ramsey	Elk Grove	CA	303-417-1784
Alisola Ventures, LLC	Walker, Rob & Alice	San Dimas	CA	714-485-2440
Robert T. Smith Incorporated	Robert Smith	Long Beach	CA	951-313-5361
12S2, LLC	Van Horn, Erik	Orange County	CA	605-645-1465
12S, LLC	Van Horn, Erik	Orange County	CA	605-645-1465

Franchise Name	Owner Name	City	State	Phone
Imvest Capital, LLC	Joe Imhoff	Redwood	CA	908-578-2501
Tsinelas Group, LLC	Tim Gallagher	Riverside County	CA	303-478-0491
L3W-Sola SBCo, LP	Luke Wiedel	San Bernardino County	CA	303-503-6680
Shebin Enterprises, LLC	Kundren, Joel & Sherry	San Marcos	CA	714-862-4562
Vegas Chips, LLC	Nick DeTillio	Santa Rosa	CA	702-858-5343
CRV Hartford, Inc.	Jersey, Brian & Tammy	Hartford	CT	203-644-9177
SS CT Studio #1 LLC	Bobrow, Rich	Stamford	CT	203-515-3359
Slingshot Studios LLC	Ben Jones	Colorado Springs	CO	303-884-8647
Slingshot Studios LLC	Ben Jones	Parker	CO	303-884-8647
George Vukobratovich	George Vukobratovich	Miami-Dade County	FL	239-261-4744
D. Scott Arbuckle Agency, Inc.	Scott Arbuckle	Naples	FL	757-831-8589
SoLa RP, LLC	Bobeck, Peter	Pompano Beach	FL	260-432-1000
SDS Salon Partners, LLC	David Donahower	Palm Beach County	FL	410-271-4222
Four S Tampa, LLC	Haynes Chidsey	Tampa	FL	303-634-2220
SDS Salon Partners II, LLC	David Donahower	Vero Beach	FL	410-271-4222
QC Equity Group, LLC	Jeff Reddig	Davenport	IA	309-797-8099
Early Apex LLC	Schmitz, Meg	Chicago	IL	847-581-9101
Adriano Pedrelli	Pedrelli, Adriano	Chicago	IL	847-867-1189
Full House 7, LLC	Nicole Milz	Chicago	IL	312-301-0745
Cavan Investments, LLC	Scott Vanderhoofven	Wichita	KS	316-648-2239
David Black	David Black	Lexington	KY	904-566-4076
Platinum Partners, LLC	Tom Beyrer	Louisville	KY	317-514-5633
Platinum Partners, LLC	Tom Beyrer	Louisville	KY	317-514-5633
LA Booth Rentals, LLC	Todd Zehnder	Lafayette	LA	337-257-7457
Macbro Enterprises, LLC	Oppenheimer, Larry & Heard, Adam	Wesley	MA	320-566-2795
John McEvoy	John McEvoy	Baltimore	MD	919-345-5200
John McEvoy	John McEvoy	Bethesda	MD	919-345-5200
Sola Salons of OTAC, LLC	Cato, Paul & Mick	Crofton	MD	410-757-0446
Sola Salons of OTAC, LLC	Cato, Paul & Mick	Annapolis	MD	410-757-0446
Gray Hair Holdings, LLC	Armstrong, Mark & Vogle, Kevin	Birmingham	MI	248-770-8709
Revolutionary Styles, LLC	Kevin Lent	Ann Arbor	MI	419-787-5495
Style Properties Uptown, LLC.	Kerr Holbrook	Minneapolis	MN	303-330-7838

Franchise Name	Owner Name	City	State	Phone
Little North Fork, LLC	Elgin, Patrick	Minneapolis	MN	651-964-8317
N4, LLC	Jim Norman	Maple Grove	MN	952-334-4903
Lawndale Siblings 1, LLC	Mark Halperin	St. Louis	MO	901-766-4266
The R Group, LLC	Ramsey, Steve	Jackson	MS	601-594-3434
Mailander, LLC	Mailander, Chris & Elizabeth	Asheville	NC	703-929-6773
Red Penguin, LLC	Blair Kutrow	Wilmington	NC	
Four S Raleigh, LLC	Haynes Chidsey	Raleigh	NC	303-634-2220
Sola of SD, LLC	Steve Scheopp	Fargo	ND	605-881-5541
Shark L.t.d.	Cain, Mark	Reno	NV	775-219-9149
Brooklyn Styles LLC	Best, Julian	Brooklyn	NY	732-940-1854
Gtown Partners	Dan Patyk	Suffolk County	NY	917-826-1492
Sola Mentor, LLC	Mike Meacham	Mentor	OH	440-315-7798
Badger, LLC	Schwanker, Mark & Cunningham, Bob	Oklahoma City	OK	972-989-3714
Sailboard Co.	Paul Schlumpberger	Eugene	OR	503-475-9058
Style Holdings, LLC	Myrle McNeal	Portland	OR	303-641-2152
Dakotah Sola, LLC	Ossenfort, Nicole & Scott	Rapid City	SD	605-484-9218
FMG Holdings LLC	Frye, Tony	Memphis	TN	901-573-6115
Salon Studios Austin, LLC	Hamlin, Mason	Austin	TX	713-594-6119
Salon Studios Austin, LLC	Hamlin, Mason	Austin	TX	713-594-6119
Maeker Be Styling LLC	Stephen Maeker	College Station	TX	281-395-3509
NDPDallas – 9140 North Freeway LLC	Mark Linder/Scott Jackson	Dalls	TX	214-244-8945
JHRSH #1, Ltd.	Rambin, Howard	Houston	TX	713-598-0288
Halbro Texas 8, LLC	Scott Halperin	San Antonio	TX	713-202-8821
Terri Glover & Lucile Stokes	Terri Glover & Lucile Stokes	Tyler	TX	972-839-7866
Steele Ventures, Inc.	Tom Steele	Salt Lake City	UT	209-627-8201
Edwards Street, LLC	DeBolt, Don	Alexandria	VA	703-599-3100
Sola Carytown Square LLC	David Aschheim	Richmond	VA	804-302-4498
Sola Creighton Crossing LLC	David Aschheim	Richmond	VA	804-302-4498
MOJO Real Estate, LLC	Benkovich, John and Maureen	Tyson's Corner	VA	410-903-3815
SR CVA LLC	David Aschheim	Norfolk	VA	804-302-4498
Babita Salons, LLC	Peter Pental	Tacoma	WA	206-255-6344
Green Bay Sola Group, LLC	Dan Hoeck	Green Bay	WI	920-366-7652
Forbici Management Group, Inc.	Straub, Greg and Reigle, Doug	Milwaukee	WI	262-627-6739
Forbici Management Group, Inc.	Straub, Greg and Reigle, Doug	Middleton	WI	262-627-6739

Affiliate Owned

	Contact	Address	City,State,Zip	Phone
Sola Salons	matt@solasalons.com	5220 Wadsworth, Suite J	Arvada, CO 80022	303-377-7652
Sola Salons	matt@solasalons.com	13923 East Exposition Avenue	Aurora, CO 80012	303-377-7652
Sola Salons	matt@solasalons.com	6155 S. Main Street	Aurora, CO 80016	303-377-7652
Sola Salons	matt@solasalons.com	3280 28th Street, Suite 11	Boulder, CO 80301	303-377-7652
Sola Salons	matt@solasalons.com	8230 S. Colorado Blvd.	Centennial, CO 80122	303-377-7652
Sola Salons	matt@solasalons.com	6972 S. Vine Street, Suite 360	Centennial, CO 80122	303-377-7652
Sola Salons	matt@solasalons.com	299 Detroit Street	Cherry Creek, CO 80206	303-377-7652
Sola Salons	matt@solasalons.com	6001 S. Willow Drive	Greenwood Village, CO 80111	303-377-7652
Sola Salons	matt@solasalons.com	7148 E. County Line Road	Highlands Ranch, CO 80126	303-377-7652
Sola Salons	matt@solasalons.com	8601 West Cross Drive	Littleton, CO 80123	303-377-7652
Sola Salons	matt@solasalons.com	14532 Orchard Parkway, Suite 400	Westminster, CO 80023	303-377-7652

There are no Franchises that had an outlet terminated, canceled or not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Confidentiality Agreements:

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system.

Associations and/or Organizations:

There are no trademark-specific franchisee organizations associated with the franchise system being offered which we have created, sponsored or endorsed.

There are no independent franchisee organizations that have asked to be included in this disclosure document.

**ITEM 21
FINANCIAL STATEMENTS**

Attached to the Disclosure Document as Exhibit A are our audited financial statements as of December 31, 2013, 2012, and 2011.

Attached to the Disclosure Document as Exhibit A-1 are our unaudited financial statements as of March 14, 2014. These financial statements are prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

ITEM 22
CONTRACTS

Attached to this Disclosure Document are the following contracts:

- Exhibit B Franchise Agreement
 - Attachment I Addendum
 - Attachment II Electronic Payment Authorization
 - Attachment III Collateral Assignment of Numbers, Addresses,
and Listings
 - Attachment IV Statement of Ownership
 - Attachment V Guaranty and Assumption of Franchisee's
Obligations
 - Attachment VI General Release

- Exhibit G Nondisclosure and Noncompetition Agreement

- Exhibit H Multi-Unit Development Agreement

ITEM 23
RECEIPT

Included as the last document of this Disclosure Document is a detachable Receipt to be signed by you.

EXHIBIT A



Sola Franchise Corporation

FINANCIAL STATEMENTS

EXHIBIT A

Sola Franchise Corporation

AUDITED FINANCIAL REPORT

December 31, 2013

SOLA FRANCHISE CORPORATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 and 2011
WITH
INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Sola Franchise Corporation

We have audited the accompanying financial statements of Sola Franchise Corporation ("Company"), which comprise the balance sheet as of December 31, 2013 and 2012, and the related statements of income and retained earnings and cash flows for the each of the three years in the period ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Denver, Colorado
March 4, 2014

Cauley Demgen & Moore P.C.

SOLA FRANCHISE CORPORATION
BALANCE SHEET
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,289,737	\$ 1,819,380
Marketing fund cash (Note 1)	105,503	46,631
Accounts receivable	190,619	170,112
Accounts receivable - related party (Note 2)	-	9,555
Prepaid expenses (Note 3)	<u>516,910</u>	<u>750,333</u>
Total current assets	3,102,769	2,796,011
Furniture and equipment, net	14,359	-
Other assets:		
Non-current prepaid expenses (Note 3)	627,000	2,089,317
Security deposits	<u>11,131</u>	<u>-</u>
Total other assets	<u>638,131</u>	<u>2,089,317</u>
Total assets	<u>\$ 3,755,259</u>	<u>\$ 4,885,328</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 15,000	\$ 57,572
Accrued marketing liability	122,259	46,631
Accrued other	17,500	-
Accounts payable - related party (Note 2)	82,100	-
Deferred revenue (Note 3)	<u>928,000</u>	<u>1,365,333</u>
Total current liabilities	<u>1,164,859</u>	<u>1,469,536</u>
Non-current liabilities:		
Deferred revenue (Note 3)	<u>911,000</u>	<u>3,093,617</u>
Commitments (Note 3)		
Stockholders' equity:		
Common stock, \$1 par value; 10,000 shares authorized; 500 shares issued and outstanding	500	500
Additional paid-in capital	49,500	49,500
Retained earnings	<u>1,629,400</u>	<u>272,175</u>
Total stockholders' equity	<u>1,679,400</u>	<u>322,175</u>
Total liabilities and stockholders' equity	<u>\$ 3,755,259</u>	<u>\$ 4,885,328</u>

See accompanying notes.

SOLA FRANCHISE CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
For the Years Ended December 31, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenue:			
Franchise sales	\$ 5,650,450	\$ 343,250	\$ 458,000
Royalty fees	1,445,588	1,102,112	770,545
Franchise marketing fees	-	90,659	46,745
Conference fees	<u>461</u>	<u>-</u>	<u>-</u>
Total revenue	7,096,499	1,536,021	1,275,290
Expenses:			
Franchise marketing	-	90,660	46,745
Conference expenses	29,602	5,380	26,206
General and administrative	4,209,672	771,987	426,682
License and management fees - related party (Note 2)	<u>100,000</u>	<u>98,000</u>	<u>82,000</u>
Total expenses	<u>4,339,274</u>	<u>966,027</u>	<u>581,633</u>
Net income	2,757,225	569,994	693,657
"S" corporation distributions	(1,400,000)	(1,000,000)	-
Retained earnings at beginning of year	<u>272,175</u>	<u>702,181</u>	<u>8,524</u>
Retained earnings at end of year	<u>\$ 1,629,400</u>	<u>\$ 272,175</u>	<u>\$ 702,181</u>

See accompanying notes.

SOLA FRANCHISE CORPORATION
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2013, 2012 and 2011

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:			
Net income	\$ 2,757,225	\$ 569,994	\$ 693,657
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	2,073	-	-
Changes in assets and liabilities:			
Prepaid expenses	1,695,740	(2,790,707)	(48,943)
Accounts receivable	(20,507)	(81,514)	(30,801)
Accounts receivable - related party	(1,576)	540,663	(27,868)
Accounts payable	(42,572)	177,593	981
Accrued marketing liability	75,828	(122,259)	-
Accrued other	17,500	-	(1,380)
Accounts payable - related party	82,100		
Deferred revenue	<u>(2,619,950)</u>	<u>3,885,581</u>	<u>(250,000)</u>
Total adjustments	<u>(811,564)</u>	<u>1,609,357</u>	<u>(358,011)</u>
Net cash provided by operating activities	1,945,661	2,179,351	335,646
Cash flows from investing activities:			
Purchase of furniture and equipment	<u>(16,432)</u>	<u>-</u>	<u>-</u>
Net cash used in investing activities	(16,432)	-	-
Cash flows from financing activities:			
Distributions to stockholders	<u>(1,400,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net cash used in financing activities	<u>(1,400,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Increase in cash and cash equivalents	529,229	1,179,351	335,646
Cash and cash equivalents at beginning of year	<u>1,866,011</u>	<u>686,660</u>	<u>351,014</u>
Cash and cash equivalents at end of year	<u>\$ 2,395,240</u>	<u>\$ 1,866,011</u>	<u>\$ 686,660</u>
Cash and cash equivalents	\$ 2,289,737	\$ 1,819,380	\$ 686,660
Marketing fund cash	<u>105,503</u>	<u>46,631</u>	<u>-</u>
Total cash and cash equivalents at end of year	<u>\$ 2,395,240</u>	<u>\$ 1,866,011</u>	<u>\$ 686,660</u>

See accompanying notes.

SOLA FRANCHISE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

1. Summary of significant accounting policies

Organization:

Sola Franchise Corporation (the "Company") was incorporated on March 31, 2005 in accordance with the laws of the State of Colorado. The Company is a franchisor organized to sell and administer a franchise program that provides a unique system of build-out and lease of turn-key salon studios to salon professionals designed by the Company under the trade name Sola Salon Studios.

The franchise agreements offered under the Company's Franchise Disclosure Document generally have a term of 10 years, with a right to acquire a successor franchise at the end of the initial term for a renewal fee of \$2,000. Initial franchise fees are generally \$39,000. A Multi-Unit Development Agreement is offered that enables the franchisee to purchase rights to develop three or six locations. The fees for the Multi-Unit Development Agreement are \$79,000 for three locations and \$139,000 for six locations. In addition, royalty fees are also due from franchisees. During 2013, 2012 and 2011, the Company sold thirty-four, forty-five and sixteen franchises, respectively. At December 31, 2013, forty-nine of the franchises sold had not yet commenced operations. As of December 31, 2013, there were 128 franchisee locations opened in Alabama (2), Arizona (3), Arkansas (1), California (28), Colorado (2), Florida (4), Georgia (7), Illinois (2), Indiana (5), Kansas (6), Kentucky (2), Louisiana (2), Michigan (1), Minnesota (5), Missouri (1), North Carolina (11), Nebraska (1), Nevada (6), New Mexico (1), New York (1), Ohio (4), Oklahoma (2), Oregon (3), South Carolina (2), South Dakota (2), Tennessee (5), Texas (10), Virginia (4), Vermont (1), Washington (3) and Wisconsin (1). In addition, the officers and directors of the Company operate 11 locations in Colorado.

Cash and cash equivalents:

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of credit risk:

Financial instruments which potentially subject the Company to concentration of credit risk consist principally of temporary cash investments. The Company places its temporary cash investments with high credit quality financial institutions at which deposits are temporarily insured up to \$250,000 per institution by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2013 and at various times during the year, balances at one financial institution exceeded FDIC limits.

Allowance for losses on receivables:

A specific valuation allowance will be provided for receivables when it becomes probable that the balance will not be repaid. Based on its analysis, the Company's management believes that an allowance for doubtful accounts is not necessary at December 31, 2013 and 2012. As of December 31, 2013 and 2012, the balance of accounts receivable over 90 days old amounted to \$4,264 and \$2,319, respectively.

SOLA FRANCHISE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

1. Summary of significant accounting policies (continued)

Property and equipment:

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the related assets of from three to five years.

Estimates:

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

Franchise sales, royalty and marketing fees:

Revenue from sale of individual franchises is recognized when all the significant pre-opening obligations of the franchise agreement have been substantially performed. Beginning in 2013, the Company believes this occurs when the lease is signed by the franchisee. Prior to 2013, revenue was recognized when the franchisee opened each store. During 2013, as revenue is recognized an accrual is made for any remaining obligations after the initial obligations to the franchisee are substantially complete. This accrual amounted to \$17,500 for 2013. Revenue from the sale of individual franchises which utilize the franchise lender, as disclosed in Note 3, is deferred until the Company has no significant remaining obligation under the guarantee provisions. Royalties from franchises, which are a percentage of gross revenue of franchise operations, are recognized as income when earned. Effective August 2011, the Company started to collect monthly marketing fees of 0.5% of revenue from franchisees. At December 31, 2011, the excess of the amount spent over the related revenue of \$48,943 was deferred as prepaid expenses and reimbursed out of monthly charges in 2012. At December 31, 2013 and 2012, the excess of the amount collected over the related amount spent of \$122,259 and \$46,631, respectively, has been reflected as accrued marketing liability on the balance sheet. The Company is required to hold funds in a separate bank account, which had balances at December 31, 2013 and 2012 of \$105,503 and \$46,631, respectively. Franchise marketing fees spent amounted to \$92,869, \$90,659 and \$46,475 for the years ended December 31, 2013, 2012 and 2011, respectively.

Reimbursed expenses:

The Company records reimbursement of out-of-pocket expenses incurred in connection with services provided to franchisees as revenue. Expense reimbursements are included in "royalty fees" on the statement of income and retained earnings.

SOLA FRANCHISE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

1. Summary of significant accounting policies (continued)

Advertising:

Advertising costs are expensed as incurred. Advertising expense amounted to \$5,059, \$6,399 and \$5,155 for the years ended December 31, 2013, 2012 and 2011, respectively.

Income taxes:

No provision for income taxes has been provided since the Company has elected "S" corporation status and the stockholders report all of the Company's income and deductions in their personal capacity. As the Company has been an "S" corporation since inception, there are no built-in gains tax issues and therefore no uncertain tax positions.

The Company is no longer subject to U.S Federal income tax examinations for years prior to 2010. The Company is no longer subject to certain state income tax examinations for years prior to 2009.

2. Related party transactions

Certain administrative functions and expenses were incurred by Sola Salon Studios LLC, which is owned by the stockholders of the Company. In addition, the Company's stockholders provided services to the franchisees, pursuant to the terms of the individual franchise agreements, including training personnel, consultation related to site selection and assistance with the development and planning of any construction or remodeling with respect to signage, franchise layout and design. During 2013, 2012 and 2011 Sola Salon Studios LLC charged the Company \$100,000, \$98,000 and \$82,000, respectively, as license and management fees. During 2013 and 2012, the Company charged Sola Salon Studios LLC \$16,182 and \$18,196, respectively, of monthly marketing fund fees for their 11 stores. During 2013 and 2012, the Company advanced \$11,908 and \$100,000 respectively, to Sola Salon Studios LLC and received repayments of \$3,563 and \$658,859, respectively. The amount is non-interest bearing and is due on demand.

3. Commitments

Franchise financing:

In January 2007, the Company entered into an agreement with a franchise lender to make loans to franchisees. The franchise lender lent up to 60% of the total project costs. The Company and its principals are obligated to help remarket locations if a default occurs and/or buy back the equipment at its then outstanding principal balance. As of December 31, 2010, no additional loans are being made through the franchise lender. At December 31, 2011, two franchisees have borrowed from the franchise lender and one has refinanced the debt to remove the guaranty. As of December 31, 2013, the outstanding principal balance related to the buy-back option is estimated by the Company to be approximately \$155,000.

SOLA FRANCHISE CORPORATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011

3. Commitments (continued)

Franchise marketing:

During 2012, the Company has entered into two agreements to market franchise opportunities. As funds are received from the sale of franchises, the Company pays commissions pursuant to the two agreements. These commissions amounted to \$1,438,500 and \$2,879,650 in 2013 and 2012, respectively and \$1,137,000 and \$2,839,650 have been deferred as prepaid expenses. Amounts are considered to be current prepaid expenses and current portion of deferred revenue when completion of all significant pre-opening obligations of the franchisor related to each store is expected to occur during the next year. As revenue is recognized on each of the franchise sales, a corresponding cost of sale will also be recognized out of prepaid expenses.

Office lease:

At December 31, 2013, the Company has the following commitment under a non-cancelable operating lease agreement for office space in Denver, Colorado.

For the year ending December 31,

2014	\$	64,515
2015		65,878
2016		<u>44,525</u>
Total future minimum rentals	\$	<u>174,918</u>

Rent expense under the operating lease agreement for the years ended December 31, 2013 and 2012 amounted to \$21,354 and \$0, respectively.

4. Subsequent events

The Company has evaluated all subsequent events from December 31, 2013 through March 4, 2014, which is the date the financial statements were available for issuance. There has been no material events noted in this period which would impact the results in this report, the Company's results going forward or require additional disclosure.

EXHIBIT A-1

Sola Franchise Corporation

INTERIM UNAUDITED FINANCIAL REPORT

FOR THE PERIOD JANUARY 1, 2014 THROUGH MARCH 14, 2014

THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Balance Sheet

Properties: Sola Franchise Corporation
As Of Friday March 14, 2014 (accrual basis)

ASSETS

Bank Account	
1012 SFC Key Bank	2,877,426.42
1013 SFC Marketing Fund	<u>54,359.70</u>
Total Bank Account	2,931,786.12
Accounts Receivable	
1200 Accounts Receivable	6,225.53
1202 A/R Sola Salon Studios LLC	<u>-82,100.55</u>
Total Accounts Receivable	-75,875.02
Other Current Asset	
1100 Undeposited Funds	79,000.00
1105 Shear Inventory	3,635.00
1300 Prepaid Advertising	6,909.58
1301 Prepaid Selling Expenses	<u>1,267,500.00</u>
Total Other Current Asset	1,357,044.58
Fixed Asset	
1008 Leasehold Improvements	6,171.18
1010 Office Equipment & Furnishings	10,261.39
1011 Less Accumulated Depreciation	<u>-2,073.00</u>
Total Fixed Asset	14,359.57
Other Asset	
1800 Security Deposits	<u>11,131.16</u>
Total Other Asset	11,131.16
TOTAL ASSETS	<u>4,238,446.41</u>

LIABILITIES & EQUITY

Liabilities

Other Current Liability	
2004 Other Payables	15,000.00
2200 Deferred Revenue	928,000.00
2201 Marketing Fund	<u>92,051.96</u>
Total Other Current Liability	1,035,051.96
Long Term Liability	
2900 Other Liabilities	17,500.00
2901 Deferred Revenue: Not Current	<u>911,000.00</u>
Total Long Term Liability	928,500.00
Total Liabilities	1,963,551.96

Equity

3004 Net Income	595,495.49
3005 Retained Earnings	1,629,398.96
3010 Common Stock	500.00
3020 Add'l Paid In Capital	<u>49,500.00</u>
Total Equity	2,274,894.45

TOTAL LIABILITIES & EQUITY **4,238,446.41**

Profit & Loss

Properties: Sola Franchise Corporation
Period 01/01/14 - 03/14/14 (accrual basis)

INCOME	
4500 Franchise Income	751,282
TOTAL INCOME	751,282
EXPENSE	
5001 Advertising	-4,079
5006 Professional Fees	11,476
5010 Taxes	4,060
5012 Telephone / DSL / Cable	1,468
5100 Lease Expense	17,665
5101 Parking	1,921
5103 Other Expenses	443
5220 Printing	1,088
5230 Air and other travel expenses	6,855
5231 Hotel	503
5235 Meals and Entertainment	4,732
5320 Payroll Expense	104,552
5425 Office Supplies & Equipment	3,066
5450 Charitable Giving / Gifts	250
5565 Franchise Sales Expense	1,786
TOTAL EXPENSE	155,787
NET INCOME	595,495
NET INCOME SUMMARY	
Income	751,282
Expense	-155,787
Other Income & Expense	0
NET INCOME	595,495

EXHIBIT B
FRANCHISE AGREEMENT



Sola Franchise Corporation

FRANCHISE AGREEMENT

Franchisee: _____
Date: _____

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ATTACHMENTS

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FRANCHISE AGREEMENT

This Franchise Agreement (the “**Agreement**”) is entered into and effective this ____ day of _____, 20__, between Sola Franchise Corporation, a Colorado corporation, located at 50 South Steele Street, Suite 1050 Denver, Colorado 80209 (“**Franchisor**”), and _____, (“**Franchisee**”), with a principal business address of _____.

In consideration of the mutual promises in this Agreement, the parties agree as follows:

1. DEFINITIONS

1.02 “**Assets**” means the franchised Business, including all inventories, supplies, furnishings, equipment, fixtures, land, buildings and improvements, and other tangible items.

1.03 “**Business**” means the right which is granted to Franchisee to operate a Franchise as set forth in this Agreement.

1.04 “**Business Records**” means evidence of each business transaction, and all financial, marketing, and other operating aspects of the Business, and all evidence and records with respect to tenants, employees, and other service professionals relating the Business including, without limitation, all databases in print, electronic or other form, including all names, addresses, phone numbers, e-mail addresses, tenant records, and all other records contained in the database, and all other records created and maintained by Franchisee in operation of the Business.

1.05 “**Client**” means the individual receiving salon services from Franchisee’s Customers (defined below).

1.06 “**Confidential Information**” means all methods for establishing, operating and promoting the Business pursuant to the Franchisor’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, Marks and information and know-how of the Franchisor and such other information as may be further developed periodically by the Franchisor.

1.07 “**Contractor**” means an independent contractor providing work or services to the Franchisee at the Premises (for example, janitorial services, on-site management services, trash removal services).

1.08 “**Customer**” means the salon professional who licenses the salon studio from Franchisee.

1.09 “**Gross Revenue**” means the total of all income derived from gross sales and gross receipts, whether the income is received by cash, credit, checks, services, property, or other means of exchange. “Gross Revenue” shall exclude only those sales taxes that Franchisee must by law collect from customers and that Franchisee pays to the government, promotional or

discount coupons to the extent that Franchisee realizes no income, and employee or lessee receipt of services, if free, or any portion not paid for by an employee or studio lessee.

1.10 “**Franchise**” means the Sola Salon Studios which Franchisee is granted the right to operate in conformity with the requirements of this Agreement.

1.11 “**License**” when used on the context of a Customer means the occupancy agreement whereby the Franchisee agrees to allow its Customer to use a studio or space within the Sola Salon Studios Premises.

1.12 “**Manual**” means Franchisor’s operations manual and other written materials, including information posted on Franchisor’s Web site and information sent to or accessed by Franchisee in print or electronic form, manuals, written procedures, memoranda and their supplements loaned to Franchisee by Franchisor.

1.13 “**National Marketing Fund**” means the separate bank account used by Franchisor for the purposes specified in this Franchise Agreement. The Marketing Fund is not a trust or escrow account, and is managed by Franchisor in its sole discretion.

1.14 “**Marks**” means Franchisor’s trade names, trademarks, service marks, logos, decor, trade dress, lay out, and commercial symbols, and similar and related words or symbols, now or in the future associated with Franchisor, the System or the franchised Business, whether or not they are registered, including, but not limited to, “Sola Salon Studios.”

1.15 “**Multi-Area Marketing Programs**” means regional, national, or international programs performed in conjunction with other franchisees or the Franchisor, designed to increase business, such as marketing to multi-area customers, Internet, shows, events, yellow pages, directories, affinity marketing, vendor programs, and co-branding programs. Such programs may require Franchisee’s cooperation and participation, including refraining from certain channels of marketing and distribution, and payment of commissions or referral fees. Franchisee must also adhere to maximum pricing to the extent permitted by law. All such programs are Trade Secrets of Franchisor.

In no event will Franchisee’s expense in any Multi-Area Marketing Program and the National Advertising Fund exceed two percent (2%) of Gross Revenues. Franchisee may also be required to participate, at Franchisee’s expense, in any Multi-Area Marketing Programs as determined by Franchisor.

1.16 “**Premises**” means the one Franchise within the Protected Territory and as described in Attachment I at which Franchisee may operate the franchised Business using the System.

1.17 “**Protected Territory**” means the territory described in Attachment I to this Agreement, subject to any reservations or exceptions contained in this Agreement.

1.18 “**System**” means, collectively, Franchisor’s valuable know how, information, trade secrets, methods, Manuals, standards, designs, methods of trademark usage, copyrightable works, rental space sources and specifications, software, confidential electronic and other

communications, methods of Internet usage, marketing programs, and research and development connected with the operation and promotion of the franchised Business, as modified by Franchisor at any time.

1.19 “**Trade Secret**” is the whole or any portion of know-how, knowledge, methods, specifications, processes, procedures, and improvements regarding the System that is valuable and secret in the sense that it is not generally known to competitors of Franchisor.

1.20 “**Transfer**” means to voluntarily or involuntarily transfer, assign, sell, or encumber any interest in or ownership or control of, the franchised Business, substantial assets of the franchised Business, or of this Agreement. Except, however, a Transfer shall not include the encumbering of assets in the ordinary course of business to secure financing in order to perform obligations under this Agreement or to operate the Franchise.

2. GRANT OF FRANCHISE

2.01 Grant of License. Subject to the terms and conditions of this Agreement, Franchisor grants to Franchisee an exclusive license to operate a Franchise as designated in Attachment I to this Agreement and described in Section 4, using the System and the Marks for the term of this Agreement. Franchisee may use the Marks and System only in accordance with the terms and conditions of this Agreement.

2.02 Modification of System. Franchisor reserves the right to periodically change, improve, or further develop the System, or any part of the System. Franchisee must promptly accept and comply with any change to the System and make any reasonable expenditure as necessary to comply. Such changes, improvements and developments will be imposed in a nondiscriminatory manner and required of all Franchises and Franchisor’s affiliate locations. Franchisor will not alter these basic rights and obligations of the parties arising under this Agreement through changes in the Manual.

2.03 Ownership and Principal Contact of Franchisee. If Franchisee is an entity, Franchisee shall complete and update throughout the term of this Agreement, as necessary, the Statement of Ownership attached hereto as Attachment IV. In addition, if Franchisee is an entity, all persons who own more than twenty percent (20%) of the beneficial ownership interests in the entity shall guaranty Franchisee’s performance under this Agreement by signing the Guaranty and Assumption of Franchisee’s Obligations attached hereto as Attachment V. If Franchisee is a limited liability company, partnership, corporation or other entity, Franchisee shall provide to Franchisor a resolution signed by all members, directors or partners, as appropriate, designating the principal contact for the Business. This principal contact must be a managing member, general partner or controlling shareholder. Such representative shall have the authority to speak for and bind Franchisee in all matters pertaining to this Agreement, and all matters relating to the Business. Further, if Franchisee is an entity, such entity shall engage in no business other than the operation of the Business governed by this Agreement.

3. TERM AND RENEWALS

3.01 Term of Agreement. This Agreement begins on the date executed by both parties, and will continue for a period of ten (10) years, unless earlier terminated as provided under this Agreement.

3.02 Rights Upon Expiration. At the end of the term of this Agreement, Franchisee may renew its license under this Agreement for ten successive periods of ten (10) years each, provided Franchisor does not exercise its rights of refusal as set forth below.

3.03 Right of Refusal to Renew. Franchisor may refuse, in Franchisor's sole discretion, to renew Franchisee's license if Franchisee:

(a) fails to remedy, in the time frame set forth in this Agreement, any breach of this Agreement specified by Franchisor in a written notice;

(b) has committed three (3) or more material breaches of this Agreement in the preceding twenty four (24) months prior to expiration;

(c) fails to give notice of Franchisee's intent to renew at least six (6) months, but no more than twelve (12) months, prior to the expiration of this Agreement. Failure to give timely notice will be considered an election not to renew this Agreement; or

(d) is not current in payment obligations to Franchisor or its subsidiaries and affiliates and to trade creditors, landlords, or mortgage holders at the time Franchisee delivers its notice of renewal or on the date this Agreement is scheduled to expire.

3.04 If Franchisor intends not to renew Franchisee's license due to a condition as set forth in Sections 3.03(a), (b), (c) or (d), then Franchisor must give Franchisee a notice of non-renewal at least one-hundred fifty (150) days before the expiration of the term.

3.05 Renewal Agreement. Franchisee must execute a renewal franchise agreement and all other legal agreements in Franchisor's then-current form for new franchisees. These agreements may vary in material aspects from this Agreement, including, but not limited to, higher royalty and advertising fees. Franchisee must also make capital expenditures that are reasonably required for the renovation and modernization of the Franchise, signs, or any other required equipment to reflect the then-current image of Franchisor. Franchisee may be required, in Franchisor's sole discretion, to execute a general release of all claims Franchisee may have against Franchisor and all principals of Franchisor. This release shall include all claims arising under any federal, state, or local law, rule, or ordinance arising out of or concerning this Agreement (to the fullest extent permitted by law) and shall be in a form satisfactory to Franchisor.

3.06 Renewal Fee. Upon signing a renewal franchise agreement, Franchisee will not be required to pay another Initial Franchise Fee, but will be required to pay the renewal fee of \$2,000.

4. TERRITORY

4.01 Franchise. Franchisee may operate the franchised Business only at the Premises as designated in Attachment I to this Agreement. Franchisee may not relocate the Premises without Franchisor's prior written approval, such consent shall not be unreasonably withheld.

4.02 Protected Territory. During the term of this Agreement and any extensions, Neither Franchisor, nor any affiliate, will operate a location, through our current or a different trademark nor grant franchises to open a location for the same, similar or competitive business within your Protected Territory, but Sola, its affiliate and its franchisees have the right to do so anywhere outside your Protected Territory as designated in Attachment I to this Agreement. Once established, the boundaries of Franchisee's Protected Territory will not be adjusted without the written consent of both parties hereto.

4.03 Soliciting Outside the Protected Territory. Franchisee may not solicit potential Customers who reside outside the Protected Territory without the express written permission of Franchisor, except, however, Franchisee, subject to the requirements of Section 9.03 below, Franchisee may send direct mail solicitations to potential Customers with addresses outside of the Protected Area.

4.04 Reservation of Rights. Franchisor reserves the rights, among others:

(a) to own, franchise, or operate Franchises at any franchise outside of the Protected Territory, regardless of the proximity to the Premises;

(b) to use the Marks and System to sell any salon equipment and beauty supplies, similar to those which Franchisee will sell through alternative channels of distribution within or outside of the Protected Territory, other than through the Franchise at the Premises. This includes, but is not limited to, other channels of distribution such as television, mail order, catalog sales, wholesale sale to unrelated franchises, or over the Internet, or through other forms of electronic media (including social technology, social media and social networking platforms). The Internet is a channel of distribution reserved exclusively to Franchisor, and Franchisee may not independently market on the Internet or conduct e-commerce Franchisor has the sole right to market and sell on the Internet and use the Marks on the Internet, including all use of websites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time;

(c) to purchase or be purchased by, or merge or combine with, any businesses wherever located, including a business that competes directly with Franchisee's Franchise;

(d) to implement multi-area marketing programs which may allow Franchisor or others to solicit or sell to Customers or potential Customers anywhere, as set forth in Section 9. In such a program, Franchisee will have the option of servicing any Customer within its Protected Territory. Franchisor also reserves the right to issue mandatory policies to coordinate such multi-area marketing programs.

5. FEES AND ROYALTIES

5.01 Payment of Fees and Royalties. All payments required under this Section are imposed by and payable to Franchisor, and are non-refundable except as expressly provided below. All payments must be made by any method Franchisor reasonably specifies, including check, cash, certified check, money order, credit or debit card, automatic pre-authorized payment plan, electronic funds transfer, or payment in advance. Franchisee must sign an Authorization for Electronic Withdrawal, set forth as Attachment II, and Franchisor may require Franchisee to submit any payments electronically. All payments to Franchisor and dollar amounts stated in this Agreement are in U.S. dollars unless otherwise expressed. Franchisor will not require Franchisee to deposit all Franchisee's revenue into an account that Franchisor controls, or from which withdrawals may be made only with Franchisor's consent, except to secure a loan or financing arrangement by Franchisor.

5.02 Initial Franchise Fee – Multi-Unit Development Fee. If this Agreement is for a single unit, Franchisee must pay an initial franchise fee of \$39,000, upon the signing of this Agreement, as set forth in Attachment I. If this Agreement is for a unit in a multi-unit development (other than the first unit), Franchisee must pay the multi-unit development fee set forth in Attachment I and in Exhibit H. The Initial Franchise Fee and the Multi-Unit Development Fees is/are fully earned upon payment, and there are no refunds under any circumstances.

5.03 Royalties. Franchisee must pay to Franchisor a monthly royalty in the amount of five percent (5%) of Gross Revenues for the preceding calendar month with a minimum of \$500 per month ("Royalty Fee"). The Royalty Fee is due to Franchisor, without notice from Franchisor, on the 10th day of each month. Royalties must be reported in a form specified by Franchisor.

5.04 Late Charges and Other Fees. Unless otherwise stated, Franchisee must pay interest at the rate of one percent (1%) per month for any late payments due under this Agreement, or the maximum interest rate allowed by applicable law, whichever is less. Franchisee must pay any damages, expenses through appeal, collection costs, and reasonable attorneys' fees Franchisor incurs in connection with Franchisee's failure to make any required payments.

5.05 Taxes and Debts. Franchisee will promptly pay when due all taxes, fees, debts, expenses, and assessments of the franchised Business, including payroll taxes. Franchisee will

not permit a tax sale, seizure, levy, execution, bankruptcy, assignment of assets for or by creditors, or similar action to occur.

6. MARKS

6.01 Marks. Franchisee must only use the Marks in the conduct of the Business as specified in this Agreement. Any unauthorized use of the Marks by Franchisee will constitute a breach of this Agreement and an infringement on Franchisor's rights in and to the Marks. As between Franchisor and Franchisee, Franchisor has a prior and superior claim to the Marks, and Franchisee has no rights in the Marks other than the right to use them in the operation of the Business in compliance with this Agreement.

6.02 Authorized Marks. Franchisee shall use no trademarks other than "Sola Salon Studios" or any other Marks that Franchisor may specify for use in the identification, marketing, promotion, or operation of the Business. If Franchisee cannot lawfully use the Marks in the Protected Territory, Franchisee must obtain Franchisor's written approval to use other marks. Franchisee must also follow the copyright guidelines as specified by Franchisor in the Manual and which approval may not be unreasonably withheld, conditioned or delayed. Franchisor will indemnify Franchisee for any claims against misuse or infringement of Marks.

6.03 Change of Marks. Franchisor may add, modify, or discontinue any Marks to be used under the System. Within a reasonable time of receiving written notification of any change, Franchisee must comply with the change, at Franchisee's sole expense unless Franchisor does not control the Marks in which case Franchisor shall bear cost of the Franchisee changing of the Marks.

6.04 Limitations on Franchisee's Use of the Marks. Franchisee must use the Marks as the sole identification of the Business, but must also identify itself as the independent owner of the Business in the manner prescribed by Franchisor. All Marks must be displayed in the manner prescribed by the Franchisor. Franchisee may not use the Marks, or any words or symbols similar to the Marks, alone or with any prefix, suffix, modifying words, terms, designs, or symbols:

- (a) as part of any entity or business name;
- (b) in conjunction with any documents, contracts, licenses, permits and other official documents. Any reference to the Marks in any document must state that Franchisee's use of the Marks is limited by this Agreement;
- (c) other than as set forth in Section 6.05, below, in any form on the Internet, including, but not limited to, addresses, domain names, links, metatags, locators, and search techniques;
- (d) in connection with the performance or sale of any unauthorized services or products; or
- (e) in any other manner not expressly authorized by Franchisor.

6.05 Marks on the Internet. Franchisor retains the sole right to market and sell on the Internet and use the Marks and market on the Internet, including all use of Web sites, domain names, URLs, directory addresses, email addresses, metatags, linking, advertising, and co-branding and other arrangements, and in all other forms of electronic media. Franchisee may not establish a presence on the Internet except as we may specify, and only with our prior written consent, separately register any domain name or any portion of a domain name containing the Marks or participate or market on any website or other form of electronic media (including social technology, social media and social networking platforms) using the Marks unless Franchisee first obtains written approval from Franchisor. Franchisee's general conduct on the Internet or other forms of electronic media, including Franchisee's use of the Marks or any advertising, is subject to the terms and conditions of this Agreement and any other rules, requirements or policies that Franchisor may identify from time to time. Subject to Section 9.03 below, Franchisee may use the Marks for advertising using social media and Craigslist but must first obtain Franchisor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Franchisee must sign the Internet and intranet usage agreements when developed by Franchisor. Franchisor retains the right to approve or disapprove any linking to or other use of Sola's Web site.

6.06 Marks in Advertising. Subject to Section 9.03, Franchisee must obtain Franchisor's prior written approval for any use of any item of printed, audio, visual, Internet, electronic media, or multimedia material of any kind bearing any of the Marks, unless supplied by Franchisor. Franchisee must indicate that it is "independently owned and operated."

6.07 Goodwill. All usage of the Marks by Franchisee and any goodwill associated with the Marks, including any goodwill that might be deemed to have arisen through Franchisee's operation of the Business or other activities will inure to the exclusive benefit of Franchisor.

6.08 Infringement. Franchisee must notify Franchisor in writing within three (3) days of obtaining actual knowledge of any possible infringement or illegal use by others of a trademark which is the same as or confusingly similar to the Marks. Franchisor may, in its sole discretion, commence or join any claim against the infringing party, and bear the reasonable costs associated with the action.

6.09 Signage. As specified by Franchisor, Franchisee must display signage bearing the Marks and identifying the Premises as a Franchise, and signage indicating that the Business is independently owned and operated as a franchised Business. All signage must remain current with the System's standards as Franchisor may modify periodically.

7. MANUAL AND CONFIDENTIAL INFORMATION

7.01 Confidential Information. The System, the Manual, and other Confidential Information are proprietary, involve Trade Secrets of Franchisor, and are disclosed to Franchisee solely on the express condition that Franchisee agrees, and Franchisee does hereby agree to:

(a) fully and strictly adhere to all security procedures prescribed in writing by Franchisor, in its sole discretion, for maintaining the Confidential Information as confidential;

(b) disclose such information to its employees only to the extent necessary to market and for the operation of the Business in accordance with this Agreement;

(c) not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor; and

(d) exercise the highest degree of diligence and make every effort to maintain the absolute confidentiality of all such information during and after the term of this Agreement, and follow Franchisor's security procedures, which include the execution of approved nondisclosure agreements, and intranet, extranet and Internet usage agreements when developed by Franchisor, by Franchisee and any employee or agent who is allowed access.

7.02 Standards and Authorized Use. Franchisee must maintain strict compliance with the Manual as presently set forth and as subsequently amended and revised.

7.03 Unauthorized Use. Franchisee must not copy or otherwise reproduce any Confidential Information, and must establish procedures to prevent unauthorized use by any other person. Unauthorized use of the Manual or the System will constitute a breach of this Agreement and an infringement of our proprietary rights, including trade secrets and copyrights. You must promptly report any unauthorized use of the Manual or other Confidential Information.

7.04 Manual. Franchisor will loan to Franchisee during the term of the franchise one (1) copy of Franchisor's confidential operating Manual, which may be in print, on an access code-protected company intranet or extranet, or through other media. Franchisor reserves the right to require Franchisee to use the Manual in only an electronic format. The Manual will at all times remain the property of Franchisor, and Franchisee must immediately return the Manual to Franchisor upon expiration, termination, or Transfer of this Agreement. Franchisor may periodically update and revise the Manual. Franchisee acknowledges that its entire knowledge of the operation of the System is and shall be derived from information disclosed to Franchisee by Franchisor and that certain of such information is Confidential Information of Franchisor. Franchisee shall maintain the absolute confidentiality of all such Trade Secrets during and after the term of this Agreement, and shall not use any such information in any other business or in any manner not specifically authorized or approved in writing by Franchisor. Franchisee is bound by the standards for maintaining the privacy of the Manual in the same manner as all other Confidential Information as provided in this Agreement.

7.05 Nondisclosure and Noncompetition Agreements. Before Franchisee or any of its owners, members, company managers, partners, shareholders, officers, directors, agents, beneficial owners, principal employees, or immediate family members perform any work at or on behalf of the Business or otherwise have access to Franchisor's Confidential Information, said Franchisee, owner, member, manager, partner, shareholder, officer, director, agent, beneficial owner, principal employee, or immediate family member who is to perform such work or have

access to such Confidential Information shall execute Franchisor's standard Nondisclosure and Noncompetition Agreement (Exhibit G)." A copy of all such signed agreements shall be delivered to Franchisor within one week of their execution. Franchisee will ensure its Manager, employees who perform work at the Premises and/or Contractors do not disclose any of Franchisor's Confidential Information. Should such an employee or Contractor wish to attend a training presented by Franchisor, then Franchisor may require that such employee or Contractor first sign a nondisclosure and noncompete agreement, which shall be by and between Company and such employee or Contractor.

7.06 Ownership of Business Records. Franchisee acknowledges and agrees that the Franchisor has access to all Business Records with respect to Customers, employees, and Contractors of, and related to, the Franchise including, without limitation, all databases (whether in print, electronic or other form), including all names, addresses, phone numbers, e-mail addresses, tenant records, and all other records contained in the database, and all other Business Records created and maintained by Franchisee for evaluation and research purposes only. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor's sole discretion. This will in no way cause harm to Franchisee's business.

8. FRANCHISOR'S DUTIES

8.01 Services Provided by Franchisor. Franchisor will provide initial and continuing services as it deems necessary or advisable in furthering Franchisee's Business and the business of the System as a whole and in connection with protecting the Marks and goodwill of Franchisor. Provision of services by Franchisor, either initial or continuing, is independent from the payment the Initial Franchise Fee or the continuing Royalty Fees. Notwithstanding the foregoing, Franchisor will provide the services listed below on a continuing basis.

8.02 Site Selection. Franchisee is solely responsible for locating a site for the Business and negotiating a lease for the property. Upon request, Franchisor will provide assistance to Franchisee in analyzing a franchise and in negotiating a lease. If a representative of Franchisor travels to your market or location to aid in site selection or market due diligence, you will be responsible for the representative's travel and hotel costs. Franchisor will analyze a location by examining population density, salon density, traffic patterns, and proximity of the proposed franchise to any other Sola Salon Studios, or any other reasonable criteria, as set forth in Section 10.02. Franchisee agrees that the location of the Franchise is a factor in the potential for success of the Business and Franchisor may reject any franchise in its sole discretion, but consent will not be unreasonably withheld. However, Franchisor's assistance in no way constitutes a representation or warranty with respect to the property or the lease. If you and Sola cannot agree on the site selection, then you must select two (2) alternative sites. Sola will give you an evaluation of each location. You may then choose any one of the three sites. Sola must approve or disapprove your site within 30 days after we receive notice of the location from you. If we cannot agree on any of the three site locations, then Sola will send a representative to assist in site selection. The franchise agreement cannot be terminated due to failure to agree (pursuant to the process set forth within the Section 8.02) on site selection; however, the franchise agreement

may be terminated for failure to designate a location within twelve (12) months of signing the franchise agreement.

8.03 Equipment, Inventory, Advertising and Services. Franchisor will specify or pre-approve certain salon equipment, interior design firms and beauty supplies used in the Business. Franchisor may negotiate marketing programs with suppliers and obtain advertising allowances or rebates for doing so, and may utilize such allowances or rebates in any manner in which Franchisor elects, in its sole discretion.

8.04 Initial Training. Franchisor will provide initial and ongoing training and assistance, as Franchisor may reasonably determine to be appropriate, within sixty (60) days of signing this Agreement. Franchisor will provide the initial training program at its corporate headquarters, or at another franchise designated by Franchisor, to Franchisee and one designated Manager or other employee. Franchisee and a designated manager must attend and satisfactorily complete the initial training program. The training program lasts for approximately fifteen (15) hours over two (2) days, and consists of discussion of the System, techniques, procedures, and methods of operation, ordering, accounting, support procedures and instructions on quality standards and practical experience in the operation of the Franchise. Franchisee is responsible for personal travel, accommodation, and other costs of its employees while attending training. Franchisee will be charged Franchisor's current training fee for any additional persons attending training.

8.05 Ongoing Training. Franchisor reserves the right to hold and require Franchisee to attend annual conferences to discuss on-going changes in the industry, sales techniques, personnel training, bookkeeping, accounting, inventory control, performance standards, and advertising programs. If the conference is mandatory, Franchisee will not be required to pay a conference fee, but must pay all personal travel and living expenses for all of its employees attending the conference. Conferences will be held at Franchisor's corporate headquarters or at an alternate franchise chosen by Franchisor.

8.06 Opening and Continuing Assistance. Franchisor may provide on-site assistance in connection with initial training during the opening of the Franchise. Franchisor will provide reasonable ongoing assistance by telephone, email, or other form of communication to Franchisee during normal business hours. If Franchisee requires additional on-site assistance, Franchisee will be charged Franchisor's then-current additional assistance fee per day, plus travel and living expenses for Franchisor's representative.

8.07 Advertising and Promotional Programs. Franchisor will provide advertising and promotional programs as set forth in Section 9.

8.08 Development of Programs. Franchisor may develop new interior designs and service methods, as Franchisor deems beneficial to the System. Franchisor will offer such new interior design and service methods to Franchisee on terms reasonably determined by Franchisor.

8.09 Modification of System. Franchisor will periodically continue to improve, modify, and revise the Manual and the specifications, standards, and operating procedures and rules of the System, as set forth in Sections 2.02 and 7.04.

8.10 Central Purchasing. Franchisor reserves the right to implement a centralized purchasing system for franchisees and negotiate prices and terms with suppliers and to receive rebates from such purchases by Franchisees. Franchisor may utilize such rebated funds in any manner it chooses in Franchisor's sole discretion.

8.11 Web Site. Franchisor will provide information regarding Franchisee's Business on its Web site, as set forth in Section 9.02.

9. SOLICITATION AND ADVERTISING

9.01 Solicitation. Franchisee may directly solicit potential Customers who reside outside the Protected Territory in accordance with Section 4.03, above. Franchisee will have the right to solicit potential Customers within the Protected Territory.

9.02 Franchisee Advertising. Starting in the calendar year in which the Franchise location opens for business, Franchisee is required to spend a minimum of three thousand six hundred dollars (\$3600) of Franchisee's Gross Revenue per calendar year on advertising and promotion. During the calendar year in which the Franchise location is first opened for business, said amount shall be prorated proportionately to the calendar months remaining in the calendar year after the initial opening. Expenditures that count toward this annual minimum advertising expenditure include, but are not limited to the following, marketing mailings, parties for Customers, potential Customers and other salon professionals, expenditures on distributor relations and holiday gifts for Customers. The following items do not count toward this annual minimum advertising expenditure: fee reduction to existing Customers, referral fees, and other move-in or customer retention incentives.

Franchisee will also be required to participate, at Franchisee's expense, in any National Advertising Fund (Fund), Multi-Area Marketing Programs (MAM Programs), as determined by Franchisor. Franchisee's requirement to contribute to such Fund or Programs (combined) will not exceed 2% per month of Franchisee's Gross Revenues. This contribution is in addition to the required annual minimum set forth in this Section 9.02, above. All expenditures will be reported to Franchisor at such times and in such manner as Franchisor specifies, including by electronic means. Subject to this Section, Franchisee may not advertise in any media with a primary circulation outside Franchisee's Protected Territory, except with Franchisor's written consent and with the reasonable consent of any franchisee whose territory is reached by the media. However, Franchisee may advertise in media whose circulation is primarily inside Franchisee's Protected Territory, even if it also reaches outside Franchisee's Protected Territory. All Internet marketing is a part of Multi-Area Marketing Programs, and must be coordinated through and approved by Franchisor. Without Franchisor's prior written consent, you may not market independently on the Internet or acquire an independent Internet domain name or Web site, but Franchisor will include Franchisee's Franchise on its Web site. Subject to Section 9.03 below, Franchisee may advertising the Franchise using social media and Craigslist but must first obtain Franchisor's prior written approval, which shall not be unreasonably withheld, conditioned or delayed.

9.03 Advertising and Marketing Materials. Franchisor will provide Franchisee with reasonable amounts of advertising and marketing materials which may include, but are not

limited to, video and audiotapes, multimedia, print-ready advertising materials, posters, banners, and other items. Franchisee must purchase any additional copies of advertising and marketing materials. Franchisee may develop and produce additional advertising and marketing materials, at Franchisee's own expense, but any advertising and marketing materials must be approved in writing by Franchisor in advance of Franchisee's use of such materials. Franchisor will approve or disapprove materials submitted by Franchisee within fifteen (15) days of receipt; and if not disapproved within such 15 day period, the materials shall be deemed approved. Franchisor also reserves the option of utilizing the advertising, without cost, developed by Franchisee and providing the advertising to other franchisees.

9.04 National Marketing Fund / Multi-Area Marketing Programs Franchisee will be required to pay any Fund, MAM Program fee at the same time and in the same manner as the Royalty Fee. Contributions will be 2% per month of Franchisees Gross Revenue and shall be made at the same time and in the same manner as the Royalty Fee. Franchisor will hold contributions to the Fund or Program in a separate bank account. Franchisor will use the contributions to the Fund or Program for local, regional, national, Internet, or international advertising or marketing, development and maintenance of any Internet or e-commerce programs, related expenses, and any media or agency costs or to attend franchise trade shows and other events. Franchisor may also use contributions to the Fund or MAM Program to offset or partially rebate the franchisee's local media and printing expenses. Franchisee acknowledges and agrees that expenditures from the Fund or MAM Program may or may not be proportionate to contributions made by Franchisee or provide a direct or any benefit to Franchisee. The National Marketing Fund will be spent for the purposes set forth above at Franchisor's sole discretion, and Franchisor has no fiduciary duty with regard to the Fund or MAM Program(s). Franchisor may accumulate these contributions, and the balance may be carried over to subsequent years and used for the purposes stated in this Agreement. If the National Marketing Fund operates at a deficit or requires additional funds at any time, Franchisor reserves the right to loan such funds to the National Marketing Fund on any terms Franchisor determines. Franchisor may also utilize the National Marketing Fund to reimburse itself for administrative expenses incurred in administering the National Marketing Fund. An unaudited annual financial statement of the National Marketing Fund will be prepared within one hundred twenty (120) days of the close of Franchisor's fiscal year and will be available to Franchisee upon request.

10. CONSTRUCTION AND MAINTENANCE OF FRANCHISE

10.01 Franchise Construction. Franchisee must construct or convert a building and equip the Franchise, at Franchisee's expense, in a good and workmanlike manner as specified by Franchisor. All interior designs, construction or conversion work must be completed in accordance with the standards and specifications of Franchisor, and must conform to all applicable zoning and other requirements of local authorities. Franchisor will provide Franchisee with standard sample floor layouts and architectural plans, but all final plans must be approved by Franchisor. Franchisor will approve or disapprove the plans within thirty (30) days of submission, and if not approved or disapproved within said thirty days, the plans shall be deemed approved. Franchisee must obtain required permits and begin construction or conversion of interior finish items no later than twelve (12) months from the date of this Agreement, and Franchisee shall be open for retail business within eighteen (18) months from the date of this Agreement. Unless otherwise agreed to in writing by the parties, if Franchisee

does not make reasonable efforts to open the Franchise by the end of eighteen months from the date of this Agreement, Franchisor may terminate this Agreement and retain all monies received.

10.02 Property. Franchisee may purchase or lease the required real property and improvements from any source upon terms approved by Franchisor in writing. Franchisee must submit proposals for location of the Franchise within ten (10) months of the date of this Agreement. Franchisee must deliver to Franchisor any traffic, competition, and demographic and similar franchise information relating to any proposed site, that Franchisor reasonably requests, for review at least twenty (20) days before any proposed lease signing date. At least five (5) days before proposed lease signing date, Franchisee must deliver to Franchisor a copy of the proposed lease. If Franchisor assists Franchisee in negotiating the lease or negotiating the Lease Riders (referenced below), Franchisor may charge Franchisee a reasonable lease negotiation fee.

10.03 Lease Riders. If Franchisee leases the real property in which the Franchise is located, Franchisee must include the following provisions in said lease agreement:

(a) on termination of this Agreement for any reason, Franchisor or its designee will have the option for thirty (30) days to assume Franchisee's remaining lease obligations without accruing any liability regarding the lease prior to the effective date of any assignment; or Franchisor will have the right to execute a new lease for the remaining term on the same terms and conditions;

(b) all notices of default to Franchisee under the lease must be sent contemporaneously to Franchisor;

(c) in the event Franchisee defaults under the lease, Franchisor or its designee will have an opportunity, but not the obligation, to cure such default and to assume Franchisee's remaining obligations and rights under the lease, but will not have any obligation to do so; and

(d) a provision reserving to Franchisor the right, at Franchisor's sole and absolute election, to receive an assignment of the leasehold interest from Franchisee upon termination or expiration of the initial term or any renewal term, or any termination of Franchisee, and the right to reassign the lease without becoming liable on the lease and without further approval from the landlord or additional charge.

Franchisor will not unreasonably withhold or delay consent to Franchisee's requested modifications to the Lease Rider provisions.

10.04 Maintenance and Upgrades. Subject to the terms of this Section, Franchisee must at all times comply with Franchisor's standards, specifications, processes, procedures, requirements and instructions regarding the Franchise's physical facilities, including the layout of furnishings and fixtures. Franchisee must maintain the Franchise and any parking areas in good and safe condition and as may be specified in the Manual. Franchisee must remodel or upgrade the Franchise at its own cost in accordance with Franchisor's reasonable standards and

requests. Any remodeling or upgrade standards or requests will be applied to all Franchise locations and to all locations owned by Franchisor's affiliate on a nondiscriminatory basis.

11. RECORDS AND REPORTS

11.01 Records. Franchisee must keep and transmit complete and accurate Business Records on a current basis relating to the Business in the form, time, and manner that Franchisor prescribes. Franchisee must provide Franchisor with all hard copies, and access to electronic reports, as reasonably prescribed. Franchisee must maintain an accounting system, which accurately reflects all operational aspects of the Franchise including uniform reports as may be required by Franchisor. Franchisee must submit to Franchisor current financial statements and other reports as Franchisor may reasonably request to evaluate or compile research data on any operational aspect of the Franchise. Franchisor reserves the right to require that Franchisee make available its sales records and files by way of an Internet connection. Business Records will specifically also include:

(a) tax returns;

(b) statements of Gross Revenues and expenses, to be prepared each month for the preceding month;

(c) profit and loss statements, to be prepared at least quarterly and, prepared or compiled by an independent Certified Public Accountant annually; and

(d) balance sheets, to be prepared or compiled at least annually by an independent Certified Public Accountant.

Franchisee must keep accurate records relating to the franchised Business for a period of six (6) years after the termination or expiration of this Agreement.

11.02 Records Standards. Franchisee must prepare in a form reasonably approved by Franchisor and in a timely manner, financial reports that accurately reflect all particulars relating to the Business. Franchisee must periodically deliver to Franchisor copies of accounting, tax and other documents and information, within ten (10) business days of Franchisor's requests. Franchisee must provide Franchisor with a copy of its annual financial statements including a profit and loss statement and a balance sheet containing complete notes and disclosures. Such statements must be prepared or compiled by an independent Certified Public Accountant, and be delivered to Franchisor within ninety (90) days after Franchisee's fiscal year end.

11.03 Audits. Franchisee must provide Franchisor or its agent's access to Franchisee's Business and computer systems to examine or audit Franchisee's Business, at any reasonable time on at least ten (10) days prior notice to Franchisee. Franchisor will bear the cost of the audit, unless Franchisee fails to report as required or understates Gross Revenue by two percent (2%) or more for any reported time period, in which case Franchisee will pay the audit cost plus interest on understated costs of one percent (1%) per month. Franchisee must immediately pay to Franchisor all sums owed in addition to any other remedies provided in this Agreement or by law.

12. FRANCHISEE'S DUTIES

12.01 Compliance with Applicable Laws. Franchisee agrees to (i) comply with all applicable laws, ordinances and regulations or rulings, or licensing requirements, of every nature whatsoever which in any way regulate or affect the operation of its Business, (ii) pay promptly all taxes and business expenses relating to the operation of the Business, and (iii) comply with all laws applicable to the Business that concern occupational hazards, accommodations for the disabled, including without limitation, the Americans with Disabilities Act, health, workers' compensation insurance and unemployment insurance. Franchisee agrees, at its expense, to modify its Franchise, if necessary, to comply with any such applicable laws or regulations. Franchisee shall not engage in any activity or practice that result in, or may reasonably be anticipated to result in, any public criticism of the System or any part thereof.

12.02 System Compliance. Franchisee must comply with the System, the Manual, and all systems, procedures and forms, as in effect from time to time. All mandatory specifications, standards, and operating procedures prescribed by Franchisor in the Manual, or otherwise communicated to Franchisee in writing, shall constitute provisions of this Agreement as if fully set forth herein. Accordingly, all references in this Agreement to Franchisee's obligations under this Agreement, including to the Franchise, equipment, procedures shall include such mandatory specifications, standards, and operating procedures. Franchisor may require Franchisee to add additional concepts to the Business in the future; however, these concepts will be complementary.

12.03 Uniformity and Image. In order to maintain uniform standards of quality, appearance, and marketing, it is essential that Franchisee conform to Franchisor's standards and specifications set forth in the Manual and the System. While Franchisee will manage its own operations and employees, Franchisee must agree and conform to all the requirements of this Section.

12.04 Operations. Franchisee must operate the Business in accordance with the System and Manual, as amended by us in our discretion. Franchisee or a fully trained and qualified manager ("Manager") approved by Franchisor must participate personally and full-time in the Business.

12.05 Right of Entry and Inspection. Franchisee must permit Franchisor or its authorized agent or representative to enter the Premises during normal business hours and to reasonably inspect the operations of the franchised Business. Without any liability to Franchisee, Franchisor may confiscate any materials which Franchisor, in its reasonable judgment, determines to be either illegal or in violation of this Agreement. Franchisor shall have the right to observe Franchisee and its tenants rendering services, to confer with Franchisee's employees and tenants and to generally review the Business operations for compliance with the standards and procedures set forth in the Manual. During any such entry, Franchisor will use commercially reasonable efforts not to interfere with the business or Franchisee's Customers' activities.

12.06 Restrictions on Services and Products. Franchisor shall be prohibited from requiring or mandating any exclusive products for sale or use by Franchisee's Customers within

the Franchise. Franchisee is prohibited from offering to License, rent, lease or otherwise permit the use of salon studios, other space within the Premises, chairs, booths, rooms or other items not authorized by Franchisor as being a part of the System. Franchisee shall purchase salon equipment, beauty supplies and use the salon design firm required for the operation of the Business from suppliers designated or approved by Franchisor. However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items, supplies or services for use in connection with the Business which are not previously approved by Franchisor as meeting its specifications, Franchisee may request approval in writing from Franchisor. Franchisor may, in its sole discretion, for any reason whatsoever, elect to withhold such approval; however, in order to make such determination, Franchisor may require submission of salon design specifications, information of such salon equipment and beauty supplies. Franchisor will advise Franchisee within a reasonable time whether such salon equipment and beauty supplies meet its specifications. Approved equipment descriptions and supplier contact information are prescribed in the Manual. If Franchisor has not specified or “pre-approved” a supplier for a particular item, Franchisee may seek Franchisor’s approval of a supplier selected by Franchisee. Franchisor will approve Franchisee’s purchase of items from such supplier so long as the proposed supplier meets all of Franchisor’s specifications and standards as to quality, composition, finish, appearance and service, and adequately demonstrates its capacity and facilities to supply Franchisee’s needs in the quantities, at the times, and with the reliability requisite to an efficient operation of the Business.

12.07 Limitations on Supply Obligations. Nothing in this Agreement shall be construed to be a promise or guarantee by Franchisor as to the continued existence of a particular product, nor shall any provision herein imply or establish an obligation on the part of Franchisor to sell salon equipment and beauty supplies to Franchisee if Franchisee is in arrears on any payment to Franchisor or otherwise in default under this Agreement. If Franchisee fails to pay in advance in full for each shipment of salon equipment and beauty supplies purchased, Franchisor shall not be obligated to sell salon equipment and beauty supplies to Franchisee. In addition, Franchisor may impose interest on any late payments on the terms described in Section 5.04.

12.08 Insurance. Franchisee must keep in force insurance policies as prescribed by Franchisor in the Manual by an insurance company acceptable to Franchisor at all times during the term of this Agreement and any renewals. Insurance coverage must include general liability, combined single limit, bodily injury and property damage insurance for premises operations, products liability and all other occurrences against claims of any person, employee, customer, agent or otherwise in an amount per occurrence of not less than such amount set forth in the Manual and adjusted by Franchisor from time to time. Insurance policies must insure both Franchisee and Franchisor, its officers and directors, as additional named insured against any liability which may accrue against them by reason of the ownership, maintenance or operation by Franchisee of the Business. The policies must also stipulate that Franchisor shall receive a thirty (30) day prior written notice of cancellation. Original or duplicate copies of all insurance policies, certificates of insurance or other proof of insurance acceptable to Franchisor shall be furnished to Franchisor together with proof of payment within thirty (30) days of issuance thereof. In the event Franchisee fails to obtain the required insurance and keep the same in full force and effect, Franchisee shall pay Franchisor upon demand the premium cost thereof, which Franchisor shall then forward to the insurance carrier. Notwithstanding the foregoing, failure of Franchisee to obtain insurance constitutes a material breach of this Agreement entitling

Franchisor to terminate this Agreement pursuant to the provisions of this Agreement. Franchisee will also procure and pay for all other insurance required by state or federal law, including, without limitation, workers' compensation and unemployment insurance.

12.09 Appearance and Customer Service. Franchisee shall (i) maintain the Premises in a clean and attractive appearance, (ii) give prompt, courteous and efficient service to the public, and (iii) otherwise operate the Business in strict compliance with the policies, practices and procedures contained in the Manual so as to preserve, maintain and enhance the reputation and goodwill of the System. Franchisee may not alter, change, or modify the System, including the Franchise, in any way without the prior written consent and approval of Franchisor.

12.10 Signs. All signs to be used on or in connection with the Business must be approved in writing by Franchisor prior to their use by Franchisee.

12.11 Training. Franchisee or its Manager must complete Franchisor's initial training program described in Section 8.04 above. Franchisee shall train its employees and/or Contractors according to standards and procedures established by Franchisor.

12.12 Correction of Defects. Should Franchisor notify Franchisee at any time of defects, deficiencies or unsatisfactory conditions in the appearance or conduct of the Business, Franchisee shall correct within a reasonable time, any such items. Franchisee shall establish and maintain an image and reputation for the Business consistent with the standards set forth in this Agreement, the Manual, or as otherwise specified by Franchisor. Franchisee shall keep its Franchise clean and in good order and repair at all times.

12.13 Indemnification. Franchisee agrees to indemnify, defend and hold harmless Franchisor, its parent corporation, its subsidiaries and affiliates, and their respective shareholders, directors, officers, employees, agents, successors and assignees against all claims and liabilities directly or indirectly arising out of the operation of the Business or arising out of Franchisee's use of the Marks and System in any manner not in accordance with this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Franchisor shall have the right to defend any such claim against it. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Franchisee shall not however, be liable for claims arising as a result of Franchisor's intentional or fraudulent acts, omissions or negligence.

12.14 Computer Systems. Franchisee must acquire, maintain, and upgrade computer, information processing and communication systems, including all applicable hardware, software, and Internet and other network access providers, and Web site vendors, as prescribed in the Manual. Franchisee must comply with any separate software or other license agreement that Franchisor or its designee uses in connection with providing these services.

12.15 Computer Problems, Viruses, and Attacks. Franchisee acknowledges and understands that computer systems are vulnerable to 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. Franchisor has taken reasonable steps so that these problems will not materially affect the System. Franchisor does not guarantee that information or communication systems supplied by Franchisor or its suppliers will not be vulnerable to these problems. Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from these problems. Franchisee must also take reasonable steps to verify that Franchisee's suppliers, lenders, landlords, customers, and governmental agencies on which Franchisee relies, are reasonably protected. This may include taking reasonable steps to secure Franchisee's systems, including, but not limited to, firewalls, access code protection, anti-virus systems, and use of backup systems.

12.16 Hazardous Materials. Franchisee must not cause or permit any toxic or hazardous waste, substances, or materials, as defined under applicable government laws and regulations to be used, generated, stored or disposed of near, on, under, about or transported to or from the Premises or any of Franchisee's vehicles except as necessary for Franchisee's operation of the franchised Business and in accordance with the Manual. Franchisee shall conduct such permissible hazardous materials activities in strict compliance, and at Franchisee's expense, with all applicable federal, state, and local laws, rules and regulations now or hereafter in effect and using all necessary and appropriate precautions. Franchisor will not be liable for any of these activities. Franchisee must provide Franchisor with a copy of all hazardous materials inventory statements and updates filed by any governmental agency or regulation and must immediately notify Franchisor both by telephone and in writing of any spill or unauthorized discharge of hazardous materials or of any conditions constituting an imminent hazard.

13. DEFAULT AND TERMINATION

13.01 Termination by Franchisee. Franchisee may terminate this Agreement if Franchisor violates a material provision of this Agreement and fails to remedy or to make substantial progress toward curing the violation within ninety (90) days after receiving written notice from Franchisee detailing the alleged default. Termination by Franchisee is effective ten (10) days after Franchisor receives written notice of termination. If Franchisee terminates this Agreement under this provision, Franchisee must follow the termination procedures as set forth in Section 13.03. If Franchisee terminates this Agreement pursuant to this Section 13.01, any and all post termination agreements and covenants shall immediately be null and void.

13.02 Termination by Franchisor. Subject to applicable law to the contrary, Franchisor may, at its option, terminate this Agreement before its expiration as set forth below:

(a) With Notice of 30 Days. This Agreement will terminate thirty (30) days after Franchisor gives written notice to Franchisee and Franchisee fails to cure or, in the reasonable determination of Franchisor, fails to make substantial progress toward curing the defect within the 30-day period, in the event that:

(i) Franchisee fails or refuses to maintain and operate the Business in compliance with this Agreement, the System, or the Manual;

(ii) Franchisee fails to pay Franchisor or suppliers for obligations under this Agreement;

(iii) Franchisee fails to comply with any material federal, state, or local law or regulation applicable to the operation of the Business;

(iv) Franchisee is in breach of any other term, condition, or provision of this Agreement

(v) Franchisee or its Manager fails to complete the required initial training or has failed to designate an acceptable location of the Franchise pursuant to Section 10;

(vi) Franchisee loses possession or the right of possession of all or a significant part of the Franchise through condemnation, casualty, lease termination or mortgage default/foreclosure and the Franchise is not relocated or reopened;

(vii) Franchisee makes an unauthorized Transfer; or

(viii) Franchisee is a business entity and any action is taken which purports to merge, consolidate, dissolve or liquidate the entity without Franchisor's prior written consent.

(b) Without Notice. This Agreement and license will immediately terminate without notice in the event that:

(i) Franchisee misrepresented or omitted material facts which induced Franchisor to enter into this Agreement;

(ii) A permanent or temporary receiver or trustee for the Franchise or all or substantially all of Franchisee's property is appointed by any court, or any such appointment is consented to or not opposed through legal action by Franchisee, or Franchisee makes a general assignment for the benefit of Franchisee's creditors or Franchisee makes a written statement to the effect that Franchisee is unable to pay its debts as they become due, or a levy or execution is made on the license, or an attachment or lien remains on the Franchise for thirty (30) days unless the attachment or lien is being duly contested in good faith by Franchisee and Franchisor is advised in writing;

(iii) Franchisee contests the validity of, or Franchisor's ownership of, any of the Marks in any court or proceeding;

(iv) Franchisee voluntarily abandons or ceases operation of the Business for more than five (5) consecutive days; or

(v) The Franchisee or any owner of greater than twenty percent (20%) of the Franchisee entity or operator is convicted of a crime involving fraud, a

crime involving moral turpitude, or any crime or offense that is reasonably likely, in the reasonable opinion of the Franchisor, to materially and unfavorably affect the System, the Marks, Franchisor's or the System's goodwill or Franchisor's or the System's reputation.

13.03 Effect of Termination. Upon any termination or expiration of this Agreement, all obligations that by their terms or by reasonable implication survive termination, including those pertaining to non-competition, confidentiality, and indemnity, will remain in effect, and Franchisee must immediately:

(a) promptly pay all amounts owed to Franchisor based on the operation of the Franchise through the effective date of termination;

(b) return to Franchisor all copies of the Manual, tenant lists, records, files, instructions, brochures, advertising materials, agreements, Confidential Information and any and all other materials provided by Franchisor to Franchisee or created by a third party for Franchisee relating to the operation of the Business, and all items containing any Marks, copyrights, and other proprietary items, except however, should the Termination result from Franchisee terminating the Agreement pursuant to Section 13.01, Franchisee shall not be required to return to Franchisor any copies of Customer lists or Customer records;

(c) cancel or assign within five (5) days all registrations relating to its use of any of the Marks, in Franchisor's sole and absolute discretion. Franchisee must notify the telephone, Internet, email, electronic network, directory, and listing entities of the termination or expiration of the Franchisee's right to use any numbers, addresses, domain names, locators, directories and listings associated with any of the Marks, and must authorize their transfer to the Franchisor or any new franchisee as may be directed by the Franchisor. The Franchisee acknowledges as between the Franchisor and the Franchisee, the Franchisor has the sole rights to, and interest in, all numbers, addresses, domain names, locators, directories and listings used by Franchisee to promote the System. The Franchisee hereby irrevocably appoints the Franchisor, with full power of substitution, as its true and lawful attorney-in-fact, which appointment is coupled with an interest; to execute such directions and authorizations as may be necessary or prudent to accomplish the foregoing. Such appointment is evidenced by Attachment III;

(d) cease doing business under any of the Marks, cancel any assumed name registration that includes any of the Marks, assign all domain names and Internet directory listings that contain the Marks to Franchisor, and refrain from identifying itself as a Sola franchisee;

(e) allow Franchisor or representatives access to the Business and the computer systems to verify and secure Franchisee's compliance with the obligations under this Agreement;

(f) allow Franchisor to make a final inspection and audit of your computer system, books, records and accounts; and

(g) abide by the terms of the required noncompetition covenant (unless Franchisee has terminated the Agreement pursuant to Section 13.

13.04 Failure to Cease or Remove Identification. If, within thirty (30) days after termination of this Agreement by Franchisor, Franchisee fails to remove all displays of the Marks from the Franchise which are identified or associated with the System, Franchisor may enter the Franchise to effect removal. In this event, Franchisor will not be charged with trespass nor be accountable or required to pay for any displays or materials. If, within thirty (30) days after termination Franchisee has not taken all steps necessary to amend or terminate any registration or filing of any fictitious name or any other registration or filing containing the Marks, Franchisee hereby irrevocably appoints Franchisor as Franchisee's true and lawful attorney for Franchisee, for the purpose of amending or terminating all registrations and filings, this appointment being coupled with an interest to enable Franchisor to protect the System.

13.05 Other Claims. Termination of this Agreement will not affect, modify or discharge any claims, rights, causes of action or remedies, which either party may have against the other party, whether such claims or rights arise before or after termination.

14. TRANSFER.

14.01 Prohibited Acts. Any unauthorized Transfer or other conveyance, by operation of law or otherwise, or any attempt to do so, shall be deemed void, a breach of this Agreement, and grounds for termination of this Agreement by Franchisor.

14.02 Transfer by Franchisor. Franchisor's obligations under this Agreement are not personal, and Franchisor can unconditionally assign and transfer, in its sole and absolute discretion, this Agreement to another person or business entity at any time. Franchisor does not need permission of Franchisee for the transfer, and may transfer free of any responsibility or liability whatsoever to the Franchisee, provided the transferee assumes the Franchisor's material obligations. Franchisor may also:

(a) sell or issue its stock, other ownership interests, or assets, whether privately or publicly;

(b) merge with, acquire, or be acquired by another entity, including an entity that competes directly with Franchisee; or

(c) undertake a refinancing, recapitalization, leveraged buyout, or other economic or financial restructuring.

14.03 Transfer by Franchisee. Franchisee's obligations under this Agreement are personal and may not be voluntarily or involuntarily sold, pledged, assigned, transferred, shared, subdivided, sub franchised, encumbered or Transferred in any way without the prior express written approval of Franchisor. If Franchisee is an entity, no owner of the Franchisee may Transfer without the prior express written approval of Franchisor. Franchisor will not unreasonably withhold, delay or condition its consent to any proposed transfer or assignment by Franchisee which requires Franchisor's consent under Section 14.03 of the Franchise Agreement.

14.04 Conditions for Transfer or Assignment. No Transfer of this Agreement will be approved by Franchisor or be effective unless and until:

(a) The Franchise is open for business to the general public at the Premises;

(b) Franchisee is under no default in the performance or observance of any of its obligations under this Agreement or any other agreement with Franchisor at the time Franchisee requests permission to assign this Agreement or at the time of the assignment;

(c) Franchisee has settled all outstanding accounts with Franchisor, and Franchisee, and every principal of Franchisee's entity, have executed a general release of Franchisor and all principals of Franchisor from all claims that may be brought by you or any principal;

(d) the proposed transferee pays Franchisor a fee to transfer the Business (the "Transfer Fee") in the amount of \$5,000.00 unless the transferee is:

(i) a corporation of which Franchisee is the majority stockholder, or a child, parent, sibling or spouse of Franchisee (or the individual owners of Franchisee if Franchisee is an entity), in which case no Transfer Fee will be required;

(ii) an entity created by Franchisee (or the individual owners of Franchisee if Franchisee is an entity) for estate planning purposes of which Franchisee (or the owners of Franchisee if Franchisee is an entity) is the managing member or general partner, in which case no Transfer Fee will be required; or

(iii) another franchisee of Franchisor, in which case the Transfer Fee will be \$2,500.00;

(e) Franchisee pays any third-party broker or agency fees that are incurred by Franchisor, Franchisee or the transferee as a result of the transfer;

(f) the proposed transferee executes a separate franchise agreement with Franchisor, using the then-current form of franchise agreement;

(g) the proposed transferee pays for, attends, and satisfactorily completes the training program for new franchisees unless:

(i) the transferee is a current franchisee in good standing in the System, or

(ii) the transferee is and has been a Manager for a period of one year or more of a Franchise in good standing;

(h) the individual proposed transferee, or the stockholders, partners, members, or trustees and beneficiaries of a proposed entity transferee, each execute a personal

guarantee, jointly and severally guaranteeing the performance of the proposed transferee's obligations;

the proposed transferee demonstrates to Franchisor's satisfaction that it, in all respects, meets Franchisor's standards applicable to new franchisees regarding experience, personal and financial reputation and stability, willingness and ability to devote his or her full time and best efforts to the operation of the franchised Business, and any other conditions as Franchisor may reasonably apply in evaluating new franchisees. Franchisor must be provided all information about the proposed transferee as it may reasonably require. Because of the confidential information available to a franchisee, no assignment to a competitor of the System will be permitted;

14.05 Transfer to an Entity. Notwithstanding the preceding section, Franchisee may Transfer its rights and obligations under this Agreement without Franchisor's consent, to an entity in which Franchisee (or the owners of Franchisee if Franchisee is an entity) owns at least 33 percent (33%) of all ownership interests, provided:

(a) The entity is controlled by Franchisee or the individual owners of Franchisee as either the (i) general partner(s) of a limited partnership, (ii) the managing member(s) of a limited liability company or (iii) the majority shareholder(s) and chairman of the board of directors of a corporation;

(b) Franchisee (or the individual owners of Franchisee if Franchisee is an entity), or Franchisee's operational partner or Manager approved by Franchisor, continues to devote full time and best efforts to manage the daily operations of the Business;

(c) the entity's activities are confined exclusively to operating the franchised Business; and

(d) Franchisee remains on the Agreement as a party and the entity is added as a co-party and the entity assumes joint and several liability with Franchisee.

14.06 Death of Franchisee. Upon the death of an individual Franchisee, the rights granted by this Agreement may pass (without payment of any Transfer Fee) to the next of kin or legatees, provided that Franchisee's legal representatives will within one hundred twenty (120) calendar days of Franchisee's death apply in writing to Franchisor for the right to transfer to the next of kin or legatee Franchisee's rights under this Agreement. Franchisor will not unreasonably withhold permission so long as the proposed transferees meet each of the then-current requirements of franchisees.

14.07 Right of First Refusal. Franchisee grants Franchisor the right to purchase the Business on the same terms and conditions specified in a bona fide written offer from a qualified third party. Within seven (7) days after receipt of the bona fide offer acceptable to Franchisee to transfer all or part of the Business, Franchisee must forward a signed copy of the written offer to Franchisor. Franchisor will then have access to all Franchisee's Business Records in order to

evaluate the offer, and may purchase the Business upon notification to Franchisee within thirty (30) days and 60 additional days to close the transaction.

In the event that Franchisor chooses to exercise the above option to purchase the Business, and if Franchisee had obtained a loan from a lender in which funding was provided with the assistance of the United States Small Business Administration (SBA), then, unless otherwise approved by the SBA, Franchisor agrees that it will not become a partial owner of the Business.

14.08 Election of Right / Set Offs. If Franchisor elects to exercise its option to purchase under this Agreement, Franchisor will have the right to set off against any payment all amounts due from Franchisee under this Agreement and the cost of the appraisal, if any.

14.09 Rights After Refusal. If Franchisor does not exercise its right to purchase within the required timeframe, Franchisee may transfer the Business to the third party, but not at a lower price or on more favorable terms than disclosed to Franchisor in writing. Such transfer remains subject to Franchisor's prior written approval and other conditions specified in this Agreement. If Franchisor does not transfer the franchised Business to the transferee on the same terms offered to Franchisor, then Franchisee must again extend the right of first refusal to Franchisor in the manner described above, before another desired transfer.

15. GENERAL PROVISIONS

15.01 Covenants Not to Compete. During the term of this Agreement and for two (2) years after termination, transfer, or expiration of this Agreement for any reason (but subject to the terms of Section 13.01 above, neither Franchisee, including owners, shareholders, members, officers, directors or agents, may participate directly or indirectly or serve in any capacity in any business engaged in the rental of salon studio spaces the same as, similar to, or competitive with the System. This covenant not to compete applies: (i) during the term of the Agreement, within any state in which Franchisor, or franchisees do business; and after termination of the Agreement within a fifty (50) mile radius from the boundary of Franchisee's Protected Territory, and from any franchised, Franchisor-owned or affiliated company-owned premises; (ii) on the Internet; and (iii) on any other Multi-Area Marketing channels used by Franchisor.

This covenant not to compete is given in part in consideration for training and access to Franchisor's Trade Secrets, and which, if used in a competitive business without paying royalties and other payments, would give Franchisee an unfair advantage over Franchisor and Franchisor's franchisees. The unenforceability of all or part of this covenant not to compete in any jurisdiction will not affect the enforceability of this covenant not to compete in other jurisdictions, or the enforceability of the remainder of this Agreement.

15.02 Stock Ownership. Nothing in this Section will prevent any active officer of Franchisee or member of Franchisee's family either individually or collectively, from owning not more than a total of five percent (5%) of the stock of any company, which is subject to the reporting requirements of Sections 11 or Subsection 14(d) of the Securities and Exchange Act of 1934.

16. DISPUTE RESOLUTION

16.01 Negotiation. The parties will first attempt to resolve any dispute relating to or arising out of this Agreement by negotiation. Franchisor will provide a procedure for internal dispute resolution as set forth in the Manual, and this procedure may be revised periodically in Franchisor's discretion.

16.02 Right to Relief. To protect from violations that would cause immediate loss and damages, Franchisor and Franchisee each have the right to seek from a court of competent jurisdiction:

- (a) injunctive relief and any related incidental damages;
- (b) an action for disputes or claims related to or based on the Marks; and
- (c) enforcement of a covenant not to compete.

16.03 Arbitration. Except as specifically provided under this Agreement, any dispute or claim relating to or arising out of this Agreement must be resolved exclusively by mandatory arbitration by and in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") or another arbitration service agreed to by the parties. Arbitration will be conducted solely on an individual, not a class-wide, basis, unless all parties so agree. No award in arbitration involving Franchisor will have any effect of preclusion or collateral estoppel in any other adjudication or arbitration. A single arbitrator shall be selected in accordance with standard AAA procedure, and the proceedings will be conducted at its Denver, Colorado, office. Each party shall bear all of its own costs and attorneys' fees and one-half of the arbitrator's expenses. The decision of the arbitrator shall be final and binding. Franchisee agrees not to join or attempt to join other franchisees or other third-parties in any arbitration proceeding and to refrain from participating in any "class action" litigation or arbitration proposed or asserted by one or more other franchisees.

16.04 Applicability. This dispute resolution section applies to claims by and against all parties and their successors, owners, managers, officers, directors, employees, agents, and representatives, as to claims arising out of or relating to this Agreement, except as stated above. This dispute resolution clause shall survive the termination or expiration of this Agreement.

16.05 Governing Arbitration Law. Notwithstanding any choice of law provision of this Agreement, all issues relating to arbitration or the enforcement of the agreement to arbitrate contained in this Agreement are governed by the U.S. Federal Arbitration Act (9 U.S.C. § 1 et seq.) and the U.S. federal common law of arbitration. This federal act preempts any state rules on arbitration, including those relating to the site of arbitration. Judgment on an arbitration award, or on any award for interim relief, may be entered in any court having jurisdiction, and will be binding.

16.06 Governing Law/Consent to Venue and Jurisdiction. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 *et seq.*) or other federal law, this Agreement shall be interpreted under

the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. Franchisee and Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving Franchisee, its officers, directors, managers or partners (collectively, “Franchisee Affiliates”) and Franchisor, its parent, subsidiaries or affiliates and their respective officers, directors and sales employees (collectively, “Franchisor Affiliates”) the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado or the Denver, Colorado office of the AAA and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado or the Denver, Colorado office of the AAA. Franchisor, Franchisor Affiliates, Franchisee and Franchisee Affiliates each waive their rights to a trial by jury. The parties waive, to the extent permitted by law, any claim against the other for punitive or exemplary damages; except for such punitive or exemplary damages for violation of the Lanham Act, trademark infringement or dilution, unauthorized dissemination of the Confidential Information or Trade Secrets or arising under the indemnification set out in Section 12.13.

16.07 Limitations on Actions. Except for payments owed by one party to the other, and unless prohibited by applicable law, any legal action or arbitration proceeding brought or instituted with respect to any dispute arising from or related to this Agreement or with respect to any breach of the terms of this Agreement must be brought or instituted within a period of two (2) years from the date of discovery of the conduct or event that forms the basis of the legal action or proceeding.

17. RELATIONSHIP OF THE PARTIES

17.01 Independent Contractor. Franchisee is an independent contractor and is not an agent, partner, joint venturer, or beneficiary of Franchisor, nor is Franchisor a fiduciary of Franchisee. Neither party will be bound or obligated by the other, except as set forth in this Agreement. Franchisee may not act as an agent in the Franchisor’s name or on behalf of the Franchisor for any purpose whatsoever.

17.02 Operations and Identification. Franchisee must conspicuously identify itself in all dealings with the public as “independently owned and operated” separate from Franchisor. Franchisee’s employees are employees of the Franchisee alone and are not, for any purpose, considered employees under the control of Franchisor. Franchisor and Franchisee must file separate tax, regulatory, and payroll reports for each party’s own operations, and must indemnify the other for any liability arising from the other’s reports.

18. MISCELLANEOUS

18.01 Entire Agreement. This Agreement, together with all written related agreements, exhibits and attachments, constitutes the entire understanding of the parties and supersedes all prior negotiations, commitments, and representations. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.

18.02 Modification. No modifications of the terms of this Agreement shall be valid unless made in writing and executed by both Franchisor and Franchisee. However, the Manual may be periodically modified by Franchisor and shall be fully enforceable against Franchisee.

18.03 Waiver. Franchisor's waiver of any particular right by Franchisee will not affect or impair Franchisor's rights as to any subsequent exercise of that right of the same or a different kind; nor will any delay, forbearance or omission by Franchisor to execute any rights affect or impair Franchisor's rights as to any future exercise of those rights.

18.04 Severability. If any part of this Agreement, for any reason, is declared invalid by an arbitrator or court, the declaration will not affect the validity of any remaining portion. The remaining portion will remain in force and effect as if this Agreement were executed with the invalid portion eliminated or curtailed. All partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable.

18.05 Conflict with Local Law. If any provision of this Agreement is inconsistent with a valid applicable law, the provision will be deemed amended to conform to the minimum standards required. The parties may execute an Addendum setting forth certain of these amendments applicable in certain jurisdictions, which will apply only so long as and to the extent that then applicable laws referred to in the addendum remain validly in effect.

18.06 Section Headings. Titles of articles and sections are used for convenience of reference only and are not part of the text, nor are they to be construed as limiting or affecting the construction of the provisions.

18.07 Legal Costs. If either party institutes a legal proceeding, including court proceeding and arbitration, and prevails entirely or in part in any action at law or in equity against the other party based entirely or in part on the terms of this Agreement, the prevailing party shall be entitled to recover from the losing party, in addition to any judgment, reasonable attorneys' fees, court costs and all of the prevailing party's expenses in connection with any action at law.

18.08 Obligations. Franchisor has no liability for Franchisee's obligations to any third party whatsoever.

18.09 Continuation of Agreement. The provisions of this Agreement, which by their terms or by reasonable implication require performance by Franchisee after assignment, expiration or termination, remain enforceable notwithstanding the assignment, expiration or termination of this Agreement, including those pertaining to non-competition, intellectual property protection, confidentiality and indemnity. This Agreement inures to the benefit of and is binding on the respective heirs, legal representatives, successors, and permitted assigns of the parties.

18.10 Reasonable Business Judgment. Whenever Franchisor reserves discretion in a particular area or where Franchisor agrees to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises reasonable business judgment in making its decision or exercising its rights. Franchisor's decisions or actions will be deemed to

be the result of reasonable business judgment, even if other reasonable or even arguably preferable alternatives are available, if its decision or action is intended, in whole or significant part, to promote or benefit the System generally even if the decision or action also promotes Franchisor's financial or other individual interest. Examples of items that will promote or benefit the System include, without limitation, enhancing the value of the Marks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization and improving the competitive position of the System.

18.11 Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

18.12 Delivery. All notices and other communications required by this Agreement must be in writing and must be delivered in person, sent by Federal Express or U.S. Mail Express delivery, or by certified mail, return receipt requested, or in any other manner Franchisor may designate. Communications sent to Franchisor must be sent to the attention of the Chief Executive Officer at Franchisor's address or at any other address Franchisor designates in writing. Communications to Franchisee will be sent to Franchisee at Franchisee's last known business address, or at any other address Franchisee designates in writing. Any notice is considered given and received, when delivered in person, or on the third business day following the mailing, if mailed.

18.13 Cumulative Remedies. Rights and remedies under this Agreement are cumulative. No enforcement of a right or remedy precludes the enforcement of any other right or remedy.

18.14 Set Off. Franchisee may not set off any amounts owed to Franchisor under this Agreement nor may Franchisee withhold any amounts owed to Franchisor due to any alleged non-performance by Franchisor under this Agreement. Franchisee waives any right to set off.

18.15 Completion of Agreement. The parties agree to acknowledge, execute and deliver all further documents, instruments or assurances and to perform all further acts or deeds as may be reasonably required to carry out this Agreement.

19. ACKNOWLEDGEMENT

BY SIGNING THIS AGREEMENT, FRANCHISEE ACKNOWLEDGES THAT:

19.01 FRANCHISEE HAS CONDUCTED AN INDEPENDENT INVESTIGATION OF THE SOLA SYSTEM AND RECOGNIZES THAT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT INVOLVES BUSINESS RISK AND WILL LARGELY DEPEND UPON THE ABILITY OF FRANCHISEE AS AN INDEPENDENT BUSINESS PERSON; AND

19.02 FRANCHISOR HAS NOT GIVEN AND FRANCHISEE HAS NOT RECEIVED ANY EXPRESS OR IMPLIED WARRANTY OR GUARANTY REGARDING POTENTIAL

VOLUME, PROFITS, OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT; AND

19.03 FRANCHISEE IS NOT A PARTY TO OR SUBJECT TO AGREEMENTS THAT MIGHT CONFLICT WITH THE TERMS OF THIS AGREEMENT AND AGREES NOT TO ENTER INTO ANY CONFLICTING AGREEMENTS DURING THE TERM OR ANY RENEWAL TERMS; AND

19.04 FRANCHISEE HAS RECEIVED THE FRANCHISE DISCLOSURE DOCUMENT DISCLOSURE DOCUMENT REQUIRED BY THE FEDERAL TRADE COMMISSION WITH APPLICABLE EXHIBITS AT LEAST FOURTEEN (14) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, AND HAS RECEIVED A COPY OF THE COMPLETE SOLA FRANCHISE AGREEMENT AT LEAST SEVEN (7) CALENDAR DAYS BEFORE THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED.

IN WITNESS WHEREOF, the parties hereto have executed, sealed and delivered this Agreement in two (2) or more counterparts on the day and year first above written.

FRANCHISOR:

Sola Franchise Corporation

By: _____
Matthew H. Briger

Title: C.E.O.

FRANCHISEE:

If Entity:

Printed Entity Name

By: _____

Printed Name

Title: _____

If an Individual:

Signature

Print Name

NOTE: THIS AGREEMENT MUST BE SIGNED INDIVIDUALLY BY THE PRIMARY REPRESENTATIVE OF FRANCHISEE AND ALL OWNERS AND SPOUSES OF OWNERS OF FRANCHISEE. ALL OWNERS OF FIVE PERCENT (5%) OR MORE OF THE OWNERSHIP INTEREST OF AN ENTITY FRANCHISEE AGREE TO SIGN ATTACHMENT V, THE INDIVIDUAL GUARANTY.

**ATTACHMENT I
TO FRANCHISE AGREEMENT
ADDENDUM**

THIS ADDENDUM to the Sola Franchise Corporation Franchise Agreement (“**Agreement**”) dated _____, 20__ between Sola Franchise Corporation (“**Franchisor**”) and _____ (“**Franchisee**”), is made effective as of the date of the Franchise Agreement.

1. **Principal Business Address.** Franchisee’s Principal Business Address is:

2. **Initial Franchise Fee.** The Franchisee shall pay \$_____ as an Initial Franchise Fee pursuant to Section 5.02 of the Agreement.

3. **Premises.** Franchisee’s Outlet will be located at:

4. **Protected Territory.** Franchisor will not own, operate, or franchise a fixed franchise for the operation of another Franchise within the area described as:

A 2 mile radius around location or;

A 1 mile radius around location in a major metropolitan downtown area or a defined Central Business Districts

Fully executed this _____ day of _____, 20__.

Sola Franchise Corporation

FRANCHISEE:

By: _____

Matthew H. Briger

[printed name]

Title: C.E.O. _____

OR IF ENTITY

Company Name

By: _____

Title: _____

**ATTACHMENT II
TO FRANCHISE AGREEMENT**

**AUTHORIZATION AGREEMENT
FOR PREAUTHORIZED PAYMENT SERVICE**

I (or We if there are joint owners of the account referenced later in this agreement) authorize and request Sola Franchise Corporation (the "Company") to obtain payment for all royalty amounts I (we) owe to the Company pursuant to the Franchise Agreement between the Company and me (us), as these amounts become due by initiating a payment entry to my (our) account. The account number, name of financial institution, payment amount, and date on or immediately after which payment should be deducted from the account are identified below. In addition, I (we) authorize and request the financial institution, now referred to as the Bank, to accept the payment entries presented to the Bank and to deduct them from my (our) account without responsibility for the correctness of these payments.

Franchisee Information:

Franchisee Name: _____

Payment Frequency: _____

Your Bank Account Information:

Please attach a voided check and we will complete this information for you.

Transit Routing Number: _____ Checking Account Number: _____

Bank Name: _____ Bank Address: _____

Your Name(s): _____
(please print)

Signature(s): _____

Date Signed: _____

**ATTACHMENT III
TO FRANCHISE AGREEMENT**

**COLLATERAL ASSIGNMENT OF
TELEPHONE NUMBERS, ADDRESSES, AND LISTINGS**

THIS ASSIGNMENT is entered into this ____ day of _____, 20____, in accordance with the terms of that certain Sola Franchise Corporation Franchise Agreement (the “**Franchise Agreement**”) between _____ (“**Franchisee**”) and Sola Franchise Corporation, a Colorado corporation (“**Franchisor**”), executed concurrently with this Assignment, under which Franchisor granted Franchisee the right to own and operate a Sola Salon Studios Franchise located at _____ (the “**Franchise Business**”).

FOR VALUE RECEIVED, Franchisee hereby assigns to Franchisor those certain telephone numbers, addresses, domain names, locators, directories and listings (collectively, the “**Numbers, Addresses, and Listings**”) associated with Franchisor’s trade and service marks and used from time to time in connection with the operation of the Franchise Business at the address provided above. This Assignment is for collateral purposes only and, except as specified herein, Franchisor shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment, unless Franchisor shall notify the telephone, Internet, email, electronic network, directory, and listing entities with which Franchisee has dealt (all such entities are collectively referred to herein as “**Provider Companies**”) to effectuate the assignment pursuant to the terms hereof.

Upon termination or expiration of the Franchise Agreement (without renewal or extension), Franchisor shall have the right and is hereby empowered to effectuate the Assignment of the Numbers, Addresses, and Listings and, in such event, Franchisee shall have no further right, title or interest in the Numbers, Addresses, and Listings, and shall remain liable to the Provider Companies for all past due fees owing to the Provider Companies on or before the effective date of the assignment hereunder.

Franchisee agrees and acknowledges that as between Franchisor and Franchisee, upon termination or expiration of the Franchise Agreement, Franchisor shall have the sole right to and interest in the Numbers, Addresses, and Listings, and Franchisee appoints Franchisor as Franchisee’s true and lawful attorney-in-fact to direct the Provider Companies to assign same to Franchisor, and execute such documents and take such actions as may be necessary to effectuate the assignment. Upon such event, Franchisee shall immediately notify the Provider Companies to assign the Numbers, Addresses, and Listings to Franchisor. If Franchisee fails to promptly direct the Provider Companies to assign the Numbers, Addresses and Listings to Franchisor, Franchisor shall direct the Provider Companies to effectuate the assignment contemplated hereunder to Franchisor. The parties agree that the Provider Companies may accept Franchisor’s written direction, the Franchise Agreement or this Assignment as conclusive proof of Franchisor’s exclusive rights in and to the Numbers, Addresses, and Listings upon such termination or expiration and that such assignment shall be made automatically and effective immediately upon Provider Companies’ receipt of such notice from Franchisor or Franchisee. The parties further agree that if the Provider Companies require that the parties execute the

Provider Companies' assignment forms or other documentation at the time of termination or expiration of the Franchise Agreement, Franchisor's execution of such forms or documentation on behalf of Franchisee shall effectuate Franchisee's consent and agreement to the assignment. The parties agree that at any time after the date hereof they will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the assignment described herein upon termination or expiration of the Franchise Agreement.

ASSIGNEE

ASSIGNOR

Sola Franchise Corporation

Franchisee

By: _____

By: _____

Matthew H. Briger

[Print name]

Its: C.E.O

Its: _____

**ATTACHMENT IV
TO FRANCHISE AGREEMENT
STATEMENT OF OWNERSHIP**

Franchisee: _____

Trade Name (if different from above): _____

Form of Ownership
(Check One)

_____ Individual _____ Partnership _____ Corporation _____ Limited
Liability
Company

If a Partnership, provide name and address of each partner showing percentage owned, whether active in management, and indicate the state in which the partnership was formed and a copy of the Certificate of Partnership (or other similar organizing document) by the Secretary of State for the State in which the Partnership was formed.

If a Limited Liability Company, provide name and address of each member and each manager showing percentage owned and indicate the state in which the Limited Liability Company was formed and a copy of the Articles of Organization (or other similar organizing document) certified by the Secretary of State for the State in which the LLC was formed.

If a Corporation, give the state and date of incorporation, the names and addresses of each officer and director, and list the names and addresses of every shareholder showing what percentage of stock is owned by each and a copy of the Articles of Incorporation certified by the Secretary of State for the State in which the corporation was formed.

Franchisee acknowledges that this Statement of Ownership applies to the Business authorized under the Franchise Agreement.

Use additional sheets if necessary. Any and all changes to the above information must be reported to Franchisor in writing.

Date

Name

[Print Name]

**ATTACHMENT V
TO FRANCHISE AGREEMENT**

**GUARANTY AND ASSUMPTION
OF OBLIGATIONS**

This **Guaranty and Assumption of Obligation** is given this ____day of _____, 20____, by _____.

In consideration of, and as inducement to, the execution of that certain Franchise Agreement of even date herewith (the "Agreement") by Sola Franchise Corporation (the "Franchisor"), each of the undersigned hereby personally and unconditionally (a) guarantees to Franchisor, and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement, that _____ (the "Franchisee") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Notwithstanding clauses (a) and (b) above, a spouse who is also a guarantor hereunder and who becomes widowed and who does not have (and will not obtain) an ownership interest in the Franchisee, the Agreement, or any Franchise Agreement granted thereunder as an owner, co-owner, investor, member, partner, shareholder or like capacity shall not thereafter be held responsible for any monetary obligations thereafter arising out of the terms and conditions of this Guaranty and Assumption of Obligations unless any such ownership interest is acquired in any manner by the widowed spouse, or the widowed spouse's or deceased spouse's children. Notwithstanding any change in ownership resulting from the death of a spouse, all monetary obligations and liabilities existing at the time of death shall continue to be an obligation of the surviving spouse until such obligations or liabilities shall be paid in full by the estate or by the guarantor spouse. Notwithstanding the limitations set forth above, any and all other non-monetary obligations of the Agreement shall remain an obligation of the surviving spouse.

Each of the undersigned waives: (i) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (ii) notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed; (iii) protest and non-performance of any obligations hereby guaranteed; (iv) any right it may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (v) any and all other notices and legal or equitable defenses to which it may be entitled.

Each of the undersigned consents and agrees that: (i) his/her direct and immediate liability under this guaranty shall be joint and several; (ii) he or she shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses punctually to do so; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Franchisee or any other person; and (iv) such liability shall not be diminished, relieved or otherwise affected by any extension of time, credit, or other indulgence which Franchisor may from time-to-time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of

any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Agreement.

IN WITNESS WHEREOF, each of the undersigned has hereunto written his/her signature on the same day and year as the Agreement was executed.

<u>Guarantor(s):</u>	<u>Percentage of Ownership of Franchisee</u>	
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)
_____	_____ %	_____
(Signature)		(Typed or Printed Name)

ATTACHMENT VI
TO FRANCHISE AGREEMENT
(To be used at time of Transfer of Franchise and for other Designated Purposes)
(Should not be signed at time of award of Initial Franchise)

FULL AND FINAL MUTUAL RELEASE

FOR AND IN CONSIDERATION of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by all parties, the parties agree and covenant as follows:

1. The undersigned Sola Franchise Corporation ("the Franchisor"), does hereby release and forever discharge _____ ("the Franchisee"), its officers, directors, successors, shareholders, agents, assigns, employees, representatives, and any and all other persons, firms and corporations whatsoever, from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, arising out of, related to or in any way connected with the Franchise Agreement dated _____ and specifically including but not limited to, any and all claims or demands which may have been alleged or any other future claims related to the above Franchise Agreement.
2. The undersigned _____ (the "Franchisee") and its shareholders, officers, and directors does hereby release and forever discharge Sola Franchise Corporation ("the Franchisor"), its, successors, agents, assigns, officers, directors, shareholders, employees, representatives, and any and all other persons, firms and corporations whatsoever, from any and all claims, demands, damages, actions, causes of action, or suits of any kind or nature whatsoever, both known and unknown, breach of contract, defamation, and any claims whatsoever. This Full, Final and Absolute Mutual Release (the "Release") shall apply to all agreements or contracts existing or entered into by and between _____ ("the Franchisee") and Sola Franchise Corporation.
3. It is understood and agreed that the settlement evidenced by this Release is a compromise of all claims herein specified, whether past, present or future, that such claims are doubtful and disputed, and that execution of this Release is not to be construed as an admission of liability on the part of any party. Rather, liability is expressly denied.
4. The consideration expressly mentioned herein is the only consideration paid or to be paid by said parties hereby released. No representations as to damages or liability have been made. The parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, or representation or warranty to induce this Release, not herein expressly set forth, and no such promises, representations or warranties are relied upon as a consideration for this Release, or otherwise, but any and all of the parties' respective claims, of whatever nature are hereby fully and forever released, compromised and settled. Full and complete compromise, settlement, and accord and satisfaction are hereby acknowledged, and it is expressly agreed by the undersigned parties never to sue any of the other parties hereby released on any alleged promise, representation or warranty for this Release not herein expressly set forth.

5. This Agreement contains the entire agreement and understanding between the parties as to the matters specified herein and supersedes and replaces all prior negotiations or proposed agreements on this subject matter, whether written or oral. The terms contained herein may not be modified or amended except in writing signed by the parties. The terms of this Release are contractual and not a mere recital. Since the purpose of this Release is to end this matter forever, should it develop that there are any errors, mistakes or any omissions in this instrument, whether legal or factual and whether mutual or unilateral, which would cause the release of the parties herein released to be defective or less than complete, then the undersigned will sign any and all documents and do any and all things necessary to effectuate a full, final and absolute release of said party.
6. The undersigned further state that they have carefully read the foregoing instrument; that they know the contents thereof; that they understand and agree to each and every term and condition contained herein; that they signed the same as their own free act and deed; and that they have not assigned any rights released hereunder to any person or organization, private or governmental.
7. The terms of this Release arose from negotiations and discussions between the parties. Accordingly, no claimed ambiguity in this Release shall be construed against any party claimed to have drafted or proposed the language in question.
8. This Release shall be governed by and construed pursuant to the laws of the State of Colorado.
9. This Release may be executed in two copies, each of which shall be deemed an original.

WITNESS OUR SIGNATURES, this the ____ day of _____, 20 ____.

By:

PRESIDENT

Sola Franchise Corporation

(By our Signature above, we attest to this Agreement for stockholders, corporate and individually)

By:

PRESIDENT, _____

(By our Signature above, we attest to this Agreement for stockholders, corporate and individually)

EXHIBIT C



Sola Franchise Corporation

COMPLIANCE QUESTIONNAIRE

EXHIBIT C
Sola Franchise Corporation
COMPLIANCE QUESTIONNAIRE

As you know, Sola Franchise Corporation and you are preparing to enter into a Franchise Agreement for the operation of a Sola Salon Studios Franchised Business. In this Franchisee Disclosure Questionnaire, Sola Franchise Corporation will be referred to as "we" or "us." The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we did not authorize and that may be untrue, inaccurate or misleading. It is also used to ensure compliance with the various state laws and regulations. Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Sola Salon Studios Franchise Agreement and each exhibit attached to it?
Yes ____ No ____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it?
Yes ____ No ____

If "No", what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

3. Have you received and personally reviewed our Disclosure Document we provided to you?
Yes ____ No ____

4. Do you understand all of the information contained in the Disclosure Document?
Yes ____ No ____

If "No", what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

5. Have you discussed the benefits and risks of operating a Sola Salon Studios business with an attorney, accountant or other professional advisor?
Yes ____ No ____

6. Do you understand those risks
Yes ____ No ____

7. Do you understand that the success or failure of your business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, salon equipment and beauty supplies cost, tenant rent terms and other economic and business factors?

Yes ____ No ____

8. Has any employee or other person speaking on our behalf made any promise concerning the actual or potential financial performance of a Franchised Business that we or our franchisees operate, including, but not limited to revenues, profits or operating?

Yes ____ No ____

9. If you have answered "Yes" to question eight (8), please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to such question, please leave the following lines blank.

10. Do you understand that in all dealings with you, our officers, directors and agents act only in a representative capacity and not in an individual capacity and such dealings are solely between you and us?

Yes ____ No ____

You understand that your answers are important to us and that we will rely on them.

By signing this Franchisee Disclosure and Compliance Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant

Date: _____, 20____

Signature

Name and Title of Person Signing

EXHIBIT D



Sola Franchise Corporation

LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

EXHIBIT D
Sola Franchise Corporation

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

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	California Department of Business Oversight One Sansome Street, Suite 600 San Francisco, CA 94105 (415) 972-8559	Commissioner of Business Oversight 1515 K Street, Suite 200 Sacramento, CA 95814
CONNECTICUT	Securities and Business Investment Division Connecticut Department of Banking 260 Constitution Plaza Hartford, CT 06106 (203) 240-8299	Connecticut Banking Commissioner Same Address
FLORIDA	Department of Agriculture & Consumer Services P.O. Box 6700 Tallahassee, FL 32399-6700 (800) 435-7352	Same
GEORGIA	Office of Consumer Affairs 2 Martin Luther King Drive, S.E. Plaza Level, East Tower Atlanta, GA 30334 (404) 656-3790	Same
HAWAII	Department of Commerce and Consumer Affairs Business Registration Division Commissioner of Securities P. O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Securities Compliance Branch 335 Merchant St., Room 205 Honolulu, HI 96810
ILLINOIS	Franchise Division Office of the Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Illinois Attorney General Same Address
INDIANA	Securities Commissioner Indiana Securities Division Room E 111	Indiana Secretary of State 201 State House 200 West Washington Street

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
	302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	Indianapolis, IN 46204
IOWA	Iowa Securities Bureau Second Floor Lucas State Office Building Des Moines, IA 50319 (515) 281-5705	Same
KENTUCKY	Kentucky Attorney General's Office Consumer Protection Division 1024 Capitol Center Drive Frankfort, KY 40602 (502) 696-5300	Same
LOUISIANA	Department of Urban & Community Affairs Consumer Protection Office 301 Main Street, 6th Floor One America Place Baton Rouge, LA 70801 (504) 342-7013 (gen. info.) (504) 342-7900	Same
MAINE	Department of Business Regulations State House - Station 35 Augusta, ME 04333 (207) 298-3671	Same
MARYLAND	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 (410) 576-6360	Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020
MICHIGAN	Michigan Department of Attorney General Consumer Protection Division Antitrust and Franchise Unit PO Box 30213 Lansing, MI 48909 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau Same Address
MINNESOTA	Minnesota Department of Commerce 85 7 th Place East, Suite 500 St. Paul, MN 55101 (651) 296-4026	Minnesota Commissioner of Commerce Same Address
NEBRASKA	Department of Banking and Finance 1230 "O" Street, Suite 400 P.O. Box 95006 Lincoln, NE 68509-5006 (402) 471-3445	Director of the Department of Banking and Finance Same Address

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
NEW HAMPSHIRE	Attorney General Consumer Protection and Antitrust Bureau State House Annex Concord, NH 03301 (603) 271-3641	Same
NEW YORK	Bureau of Investor Protection and Securities New York State Department of Law 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8222	Secretary of State of New York 41 State Street Albany, New York 12231
NORTH CAROLINA	Secretary of State's Office Securities Division Legislative Annex Building 300 Salisbury Street Raleigh, NC 27602 (919) 733-3924	Secretary of State Secretary of State's Office 300 Salisbury Street Raleigh, NC 27602
NORTH DAKOTA	North Dakota Securities Department 600 East Boulevard Avenue State Capital, 5 th Floor, Dept 414 Bismarck, ND 58505-0510 (701) 328-4712	North Dakota Securities Commissioner Same Address
OHIO	Attorney General Consumer Fraud & Crime Section State Office Tower 15th Floor 30 East Broad Street Columbus, OH 43215 (614) 466-8831 or (800) 282-0515	Same
OKLAHOMA	Oklahoma Securities Commission 2915 Lincoln Blvd. Oklahoma City, OK 73105 (405) 521-2451	Same
OREGON	Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, OR 96310 (503) 378-4387	Director Department of Insurance and Finance Same Address
RHODE ISLAND	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Ave., Building 69-1 Cranston, RI 02910 (401) 462-9588	Department of Business Regulation Securities Division John O. Pastore Complex 1511 Pontiac Ave., Building 69-1 Cranston, RI 02910 (401) 462-9588

STATE	STATE ADMINISTRATOR	AGENT FOR SERVICE OF PROCESS
SOUTH CAROLINA	Secretary of State P.O. Box 11350 Columbia, SC 29211 (803) 734-2166	Same
SOUTH DAKOTA	Department of Labor and Regulation Division of Securities 445 E. Capitol Pierre, SD 57501 (605) 773-4013	Director of South Dakota Division of Securities Same Address
TEXAS	Attorney General's Office Consumer Protection Division P.O. Box 12548 Austin, TX 78711 (512) 463-2070	Same
UTAH	Utah Department of Commerce Consumer Protection Division 160 East 300 South P.O. Box 45804 Salt Lake City, UT 84145-0804 (801) 530-6001	Same
VIRGINIA	State Corporation Commission Division of Securities and Retail Franchising 1300 E. Main Street, Ninth Floor Richmond, VA 23219 (804)-371-9051	Clerk of the State Corporation Commission 1300 E. Main Street, 1 st Floor Richmond, VA 23219 (804) 371-9733
WASHINGTON	Department of Financial Institutions Securities Division P.O. Box 9033 Olympia, WA 98507-9033 (360) 902-8760	Same
WISCONSIN	Commissioner of Securities P.O. Box 1768 Madison, WI 53701-1768 (608) 266-1365	Wisconsin Commissioner of Securities Same Address

EXHIBIT E



Sola Franchise Corporation

STATE LAW ADDENDUM

EXHIBIT E
Sola Franchise Corporation

STATE LAW ADDENDA TO
FRANCHISE DISCLOSURE DOCUMENT, FRANCHISE AGREEMENT AND MULTI-
UNIT DEVELOPER AGREEMENT

The following modifications are to the Sola Franchise Corporation Franchise Disclosure Document and may supersede, to the extent then required by valid applicable state law, certain portions of the Franchise Agreement and Multi-Unit Developer Agreement dated _____, 20____.

CALIFORNIA

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

2. Neither the franchisor, nor any person or franchise broker identified in Item 2 of this Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling the person from membership in the association or exchange.

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

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

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

6. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

7. The franchise agreement requires binding arbitration. The arbitration will occur at Denver, CO with each party paying their own costs, plus one-half the arbitrator's fees.

8. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the state of California.

9. The franchise agreement and multi-unit development agreement require application of the laws of Colorado. This provision may not be enforceable under California Law.

10. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

11. You must sign a general release of claims if you renew or transfer your franchise. California corporations code §31512 voids a waiver of your rights under the franchise investment law (California corporations code §§31000 through 31516). Business and professions code §20010 voids a waiver of your rights under the franchise relations act (business and professions code §§20000 through 20043).

12. "The earnings claims figure(s) does (do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales

figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.”

13. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF CORPORATIONS. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS at www.corp.ca.gov.

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

ILLINOIS

Item 17(v) of the Franchise Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement are amended to state that any provision that designates jurisdiction or venue in a forum outside the State of Illinois will not be enforceable and is amended to the extent required by Illinois law.

Item 17(v)(w) of the Franchise Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement are amended to state: The governing law or choice of law clause that allows for jurisdiction or venue other than Illinois will not be enforceable under Illinois law and that Illinois law shall govern the Agreements. This governing law clause shall not be construed to negate the application of the Illinois Franchise Disclosure Act in all situations to which it is applicable.

Section 705(41) of the Illinois Franchise Disclosure Act states any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

No action for liability under the Illinois Franchise Disclosure Act shall be maintained unless brought before the expiration of 3 years after the act or transaction constituting the violation upon which it is based, the expiration of 1 year after the franchisee becomes aware of facts or circumstances reasonably indicating that he may have a claim for relief in respect to conduct governed by the Act, or 90 days after delivery to the franchisee of a written notice disclosing the violation, whichever shall first expire. Item 17(b) of the Franchise Disclosure Document, Section 3 of the Franchise Agreement and Section 7.4 of the Multi-Unit Development Agreement are amended accordingly.

The conditions under which a franchise can be terminated and your rights upon nonrenewal, as well as the application by which you must bring any claims, may be affected by Sections 705/19 and 20 of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/19 and 705/20.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

By: _____

Title: _____

Title: _____

INDIANA

It is unlawful for any franchise agreement between any franchisor and a franchisee who is a resident of Indiana or a non-resident who is to operate the franchise in Indiana to contain a provision that requires a franchisee not to compete with the franchisor in an area greater than the exclusive territory granted in the franchise agreement or, if no exclusive territory is granted, in an area of more than reasonable size, upon Termination of a franchise agreement. (Ind. Code § 23-2-2.7-1(9)). Accordingly, the Franchise Agreement, the Multi-Unit Development Agreement and Item 17 of the Disclosure Document are amended to apply to the area within a 50-mile radius of the Sola Salon Studio.

The Franchise Agreement requires binding arbitration. The arbitration will occur in a state other than Indiana, with costs being borne by the non-prevailing party. The provision concerning the place where arbitration will occur is deleted from the Franchise Agreement and the Multi-Unit Development Agreement.

The Franchise Agreement and Multi-Unit Development Agreement requires application of the laws of another state. This provision is deleted from the Indiana Franchise and MUDA Agreement.

Item 17 of the Disclosure Document, Sections (u), (v), and (w), is amended to omit any reference to selection of an out-of-Indiana forum or choice of law.

The franchise agreement requires you to sign a general release of claims as a condition of renewing or reselling the franchise. Under the law of Indiana any provision that purports to bind a person acquiring a franchise to waive compliance with the franchise laws of Indiana is void. The Franchise Agreement, the MUDA and Item 17 of the Disclosure Document, Sections (b) (renewal) and (k) (transfer) are amended to omit the requirement that an Indiana Franchisee sign a general release of claims as a condition of renewal or resale. This will not prevent Franchisor from requiring you to sign a general release of claims as part of a settlement of a dispute.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

MARYLAND

The following amends the Franchise Disclosure Document, Franchise Agreement and Exhibit C to the Franchise Disclosure Document, the Compliance Questionnaire:

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.). Item 17H of the Franchise Disclosure Document, Section 4.3 of the Multi-Unit Development Agreement and Section 5.05 of the Franchise Agreement are amended to add this provision.

Item 17M of the Franchise Disclosure Document and Section 14.04(b) of the Franchise Agreement are amended to state that the general release required as a condition of sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Item 17 W of the Franchise Disclosure Document, Section 16.03 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement are amended to state; A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Item 17 V of the Franchise Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement are amended to state; Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

Section 19 of the Franchise Agreement, Section 8 of the Multi-Unit Development Agreement and Exhibit C of the Franchise Disclosure Document, the Compliance Questionnaire are amended to state: All representations requiring prospective franchisees to assent to a release, estoppels or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

MICHIGAN

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

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

(b) A prohibition on your right to join an association of franchisees.

(c) A requirement that you assent to a release, assignment, notation, waiver, or estoppel which deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a franchise agreement, from settling any and all claims.

(d) A provision that permits us to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(e) A provision that permits us to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to us and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applied only if: (i) the term of the franchise is less than 5 years and (ii) you are prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or you do not receive at least 6 months advance notice of our intent not to renew the franchise.

(f) A provision that permits us to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(g) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of arbitration, to conduct arbitration at a franchise outside this state.

(h) A provision which permits a us to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet our then current reasonable qualifications or standards.

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

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

(iv) Your or proposed transferee's failure to pay any sums owing to us or to cure any default in the franchise agreement existing at the time of the proposed transfer.

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

(j) A provision which permits us to directly or indirectly convey, assign, or otherwise transfer our obligations to fulfill contractual obligations to you unless provision has been made for providing the required contractual services.

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

ESCROW REQUIREMENTS (IF ANY): _____

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
Consumer Protection Division
Attn: Franchise
670 Law Building
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

MINNESOTA

We will comply with Minnesota Statute 80C.14 subdivisions 3, 4, and 5, which require except in certain specific cases, that you be given 90 days’ notice of termination (with 60 days to cure) and 180 days’ notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule Part 2860.4400J, may prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document, Franchise Agreement or MUDA can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

In accordance with Minnesota Rule 2860.4400J, to the extent required by law, the Disclosure Document, Franchise Agreement and MUDA are modified so that we cannot require you to waive your rights to a jury trial or to waive rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties, or judgment notes; provided that this part shall not bar an exclusive arbitration clause.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a general release. The Disclosure Document and Franchise Agreement are modified accordingly, to the extent required by Minnesota law.

Pursuant to Minn. Stat. Sec. 80C.12, Subd. 1(g), to the extent required by law, the Franchise Agreement and Item 13 of the Disclosure Document are amended to state that we will protect your right to use the primary trademark, service mark, trade name, logotype or other commercial symbol or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of our primary trade name.

Pursuant to Minn. Stat. Sec. 80C.17, Subd. 5, to the extend required by law, the Franchise Agreement, the MUDA and Item 17 of the Disclosure Document are amended to state that no action may be commenced pursuant to this section more than three years after the cause of action accrues

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

NEW YORK

The cover page of the Disclosure Document will be supplemented with the following, inserted at the bottom of the cover page:

WE MAY, IF WE CHOOSE, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, WE CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON YOU TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

Add to Item 3 of the Franchise Disclosure Document as follows, as the last paragraph:

(A) Except as described above, neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion, misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations; or any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

(B) Except as described above, neither we, our predecessors, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

(C) Except as described above, neither we, our predecessor, a person identified in Item 2, nor an affiliate offering franchises under our principal trademark is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public

agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

Add the following language to Item 4 of the Franchise Disclosure Document, the last paragraph:

(D)Except as described above, neither we, our affiliates, predecessors nor officers during the ten-year period immediately before the date of the Disclosure Document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner held this position in the company or partnership.

Add at the end of the first paragraph of Item 5 of the Disclosure Document:

The purpose of the initial fee is to pay for our training, sales, legal compliance, salary, and general administrative expenses, and profit.

The first paragraph of Item 17 of the Disclosure Document is modified to read as follows:

THIS TABLE LISTS CERTAIN IMPORTANT PROVISIONS OF THE FRANCHISE AND RELATED AGREEMENTS PERTAINING TO RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION. YOU SHOULD READ THESE PROVISIONS IN THE AGREEMENTS ATTACHED TO THIS DISCLOSURE DOCUMENT.

Add in Item 17d of the Disclosure Document:

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

Add at the end of the choice of law clause in the Franchise Agreement and in Item 17w of the Disclosure Document:

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

NORTH DAKOTA

Item 17(c) Disclosure Document and Section 3.04 of the Franchise Agreement requiring you to sign a general release upon renewal of the franchise may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(i) of the Disclosure Document and Section 16.02 of the Franchise Agreement requiring you to consent to termination or liquidated damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(r) of the Disclosure Document and Section 15 of the Franchise Agreement restricting competition are generally considered unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Item 17(u) of the Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement requiring resolution of disputes to be outside North Dakota may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law. The site of arbitration or mediation must be agreeable to all parties.

Item 17(w) of the Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement relating to choice of law, may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.2 of the Multi-Unit Development Agreement requiring you to consent to a waiver of trial by jury may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document, Section 16.06 of the Franchise Agreement and Section 7.3 of the Multi-Unit Development Agreement requiring the franchisee to consent to a waiver of exemplary and punitive damages may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

Sections of the Disclosure Document and Section 16.07 of the Franchise Agreement requiring the franchisee to consent to a limitation of claims within one year may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly to the extent required by law.

The Franchise Agreement stipulates that the franchisee shall pay all costs and expenses incurred by the franchisor in enforcing the agreement, which may not be enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law, and are amended accordingly

to the extent required by law. The prevailing party in any enforcement action is entitled to recover costs and expenses including attorney's fees.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

RHODE ISLAND

The Rhode Island Securities Division requires the following specific disclosures to be made to prospective Rhode Island franchisees:

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Sola Franchise Corporation for use in the Commonwealth of Virginia shall be amended as follows:

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

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

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in Washington, in a place as mutually agreed upon at the time of the arbitration, or as determined by the arbitrator, to the extent required by Washington law.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

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

Transfer fees are collectible to the extent that they reflect our reasonable estimated or actual costs in effecting a transfer, to the extent required by Washington law.

IN WITNESS WHEREOF, each of the undersigned hereby acknowledges having read this Addendum, and understands and consents to be bound by all of its terms.

Franchisee: _____

By: _____

Title: _____

By: _____

Title: _____

ACKNOWLEDGMENT:

It is agreed that the applicable foregoing state law addendum, if any, supersedes any inconsistent portion of the Franchise Agreement dated _____, 20__, and of the Franchise Disclosure Document, but only to the extent they are then valid requirements of an applicable and enforceable state law, and for only so long as such state law remains in effect.

DATED this _____ day of _____, 20__.

FRANCHISOR:

Sola Franchise Corporation

By: _____
Matthew H. Briger

Title: C.E.O. _____

FRANCHISEE

By: _____

Title: _____

By: _____

Title: _____

(MUST BE SIGNED BY ALL OWNERS AND MANAGERS OF AN ENTITY FRANCHISEE)

EXHIBIT F



Sola Franchise Corporation

OPERATIONS MANUAL TABLE OF CONTENTS

EXHIBIT F
Sola Franchise Corporation
OPERATIONS MANUAL TABLE OF CONTENTS AS OF MARCH 2013

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EXHIBIT G



Sola Franchise Corporation

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

EXHIBIT G
Sola Franchise Corporation

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (“**Agreement**”) is made and entered into effective the ____ day of _____, 20____ by and between **Sola Franchise Corporation**, a Colorado corporation (“**Company**”), located at 50 South Steele Street, Suite 1050, Denver, Colorado, 80209, and _____ (“**Associate**”), who _____ resides _____ at _____, and is associated with Franchisee of the Business as _____.

RECITALS

A. The Company is engaged in the business of selling franchises for the operation of a location to provide salon studio licenses and/or rentals (“**Business**”), known as “**Sola Salon Studios**” (“**Studios**”). The Business is operated under the Company’s service mark “Sola Salon Studios” and other service marks, trademarks, logo types, architectural designs, trade dress and other commercial symbols (collectively “**Marks**”);

B. The Company has developed methods for establishing, operating and promoting the Business pursuant to the Company’s distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks and information and know-how of the Company (“**Confidential Information**”) and such Confidential Information as may be further developed from time to time by the Company;

C. The Company has established substantial goodwill and an excellent reputation with respect to the quality of salon studio rentals, which goodwill and reputation have been and will continue to be of major benefit to the Company;

D. Associate is or will become involved with the Company in the capacity of an officer, partner, director, agent, employee, principal, or as a beneficial owner of the person or entity that has acquired the right to operate a Business of the Company (“**Franchisee**”), or as an immediate family member of the Franchisee and will become privileged as to certain Confidential Information; and

E. Associate and the Company have reached an understanding with regard to nondisclosure by Associate of Confidential Information and with respect to noncompetition by Associate with the Company.

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate and the Company, intending legally to be bound, agree as follows:

1. Confidential Information. Associate and the Company acknowledge that the distinctive business format, plans, methods, data, processes, supply systems, marketing systems, formulas, techniques, designs, layouts, operating procedures, trademarks, proprietary marks, non-public information, marketing materials, business strategies and financial information, reports, plans, data, and other confidential information, along with work papers, studies, and other documents prepared by or on behalf of Company which contain or reflect such information and information and know-how of the Company which are developed and utilized in connection with the operation of the Business are the Company's Confidential Information. Such Confidential Information is unique, exclusive property and a trade secret of the Company. Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Company. Associate further acknowledges that the Company has taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information. Confidential Information will not include information that is already in the public domain, information that comes into the public domain through no fault or breach by you, and information that is already known to you before this agreement.

2. Lists and Operations Manuals as Trade Secrets. It is understood that Confidential Information, constituting "trade secrets", as used in this Agreement, is deemed to include, without limitation, product components, supplier information and any and all information contained in the Company's Operating Manual (as defined in the Franchise Agreement), which may be provided as one or more separate print or electronic manuals, or written instructional guides, as the same are changed or supplemented from time to time, and any information of whatever nature which gives the Company an opportunity to obtain an advantage over its competitors who do not have access to, know or use such lists, written materials, or information.

3. Nondisclosure of Confidential Information. Associate shall not at any time, publish, disclose, divulge or in any manner communicate to any person, firm, corporation, association, partnership or any other entity whatsoever or use, directly or indirectly, for its own benefit or for the benefit of any person, firm, corporation or other entity other than for the use of the Company or the Business, any of the Confidential Information of the Company. Associate will take necessary steps to ensure that before allowing of the Business's employees or independent contractors to perform work at the Business or the franchise location or otherwise to access Franchisor's Confidential Information is aware of this agreement and will agree not to disclose any of Franchisor's Confidential Information.

4. Noncompetition Covenant. Associate acknowledges that, in addition to the license of the Marks hereunder, which shall be defined as any trademarks, trade names, service marks, and logos, which the Franchisor has also licensed commercially, as well as valuable information which comprises and is a part of the Business, including without limitation, proprietary processes, operations, marketing and related information and materials derive value not only from the time, effort and money which went into its compilation, but from the usage of the same by all franchisees of Company using the Marks and Company's Confidential Information. Associate therefore agrees that other than the Business licensed herein, neither Associate nor any of Franchisee's officers, directors, shareholders, partners, members, nor any member of his, her or their immediate families (but as it relates to an immediate family member only if such family

member has performed work for the Business or has accessed the Company's Confidential Information), will during the term of this Agreement:

(a) have any direct or indirect controlling interest as a disclosed or beneficial owner in a Competitive Business (as defined below);

(b) perform services as a director, partner, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business; or

(c) divert or attempt to divert any business related to, or any tenant or account of the Sola Salon Studios, the Franchisee, and/or the Company, by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of Company or another franchisee licensed by Company, to any Competitive Business by any direct inducement or otherwise.

The term "**Competitive Business**" as used in this Agreement will mean any business offering, similar to, or businesses granting franchises or licenses to others to provide build-out and license/rental of salon studios; provided, however, Associate, Franchisee, its owners, members, partners, principals, and if an individual, members of its immediate family will not be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent in the aggregate five percent (5%) or less of that class of securities issued and outstanding.

5. Post-Termination Covenant Not to Compete. Upon termination or expiration of this Agreement for any reason other than a default by Franchisor (in which event this Section 5 shall be null and void), Associate agrees that, for a period of two (2) years commencing on the effective date of termination or expiration, or the date on which Associate ceases to conduct business, whichever is later, neither Associate nor any of Franchisee's officers, directors, shareholders, managers, members, or partners will have any direct or indirect interest (through any immediate family member of Franchisee, or its owners or otherwise) as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in any Competitive Business, as defined above, (i) located or operating within a fifty (50) mile radius from the (a) boundary of your Protected Territory, and (b) from any other franchised or company-owned Sola Salon Studios; (ii) on the Internet; and (iii) on any other multi-area marketing channels used by Company. The restrictions of this Section will not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent five percent (5%) or less of the number of shares of that class of securities issued and outstanding. Associate, expressly acknowledges that Associate and Franchisee, its officers, directors, shareholders, managers, members and partners possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living.

6. Injunction. Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which the Company may be entitled.

7. Effect of Waiver. The waiver by Associate or the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof.

8. Binding Effect. This Agreement shall be binding upon and inure to the benefit of Associate and the Company and their respective heirs, executors, representatives, successors and assigns.

9. Entire Agreement. This instrument contains the entire agreement of Associate and the Company relating to the matters set forth herein. It may not be changed verbally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought.

10. Governing Law. This instrument shall be governed by and construed under the laws of the state of Colorado.

11. Jurisdiction and Venue. In the event of a breach or threatened breach by Associate of this Agreement, Associate hereby irrevocably submits to the jurisdiction of the state and federal courts of Colorado, and irrevocably agrees that venue for any action or proceeding shall be in the state and federal courts of Colorado. Both parties waive any objection to the jurisdiction of these courts or to venue in the state and federal courts of Colorado. Notwithstanding the foregoing, in the event that the laws of the state where the Associate resides prohibit the aforesaid designation of jurisdiction and venue, then such other state's laws shall control.

12. Severability. If any provision of this Agreement shall be held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority or otherwise, such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect.

13. Attorneys' Fees. In any action at law or in equity to enforce any of the provisions or rights under this Agreement, the unsuccessful party in such litigation, as determined by the court in a final judgment or decree, shall pay the successful party or parties all costs, expenses and reasonable attorneys' fees incurred therein by such party or parties (including without limitation such costs, expenses and fees on any appeals), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have signed this Agreement on the date first above written.

Sola Franchise Corporation

[Signature]

Matthew H. Briger

Title: _____ C.E.O.

ASSOCIATE:

[Signature]

[Print Name]

CAPACITY WITH FRANCHISED BUSINESS

EXHIBIT H



Sola Franchise Corporation

MULTI UNIT DEVELOPMENT AGREEMENT

EXHIBIT H
Sola Franchise Corporation

MULTI-UNIT DEVELOPMENT AGREEMENT

THIS MULTI-UNIT DEVELOPMENT AGREEMENT (the “Agreement”) is made this _____ day of _____, 20__ (“Effective Date”) by and between _____, with a principal business address at _____ (“Franchisee”), and SOLA FRANCHISE CORPORATION, a Colorado corporation, located at 50 South Steele Street, Suite 1050, Denver, Colorado, 80209 (“Franchisor”).

RECITALS

WHEREAS, The Franchisor offers franchises for the establishment of businesses, known as “Sola Salon Studios ” (“Locations”). The Locations are operated under the Franchisor’s service word mark “Sola Salon Studios” other logos, trademarks, service marks and commercial symbols (collectively, “Marks”) and pursuant to the Franchisor’s distinctive business format, systems, methods, procedures, designs, layouts and specifications (“Licensed Methods”) for the establishment, operation and promotion of the Locations; and,

WHEREAS, The Franchisee desires to use the Franchisor’s Marks and Licensed Methods in connection with the development of a certain number of Locations in a specific geographical area as described herein. The Franchisor desires to grant the Franchisee the right to establish and operate such Locations under the terms and conditions which are contained in this Agreement; and,

WHEREAS, All capitalized references not defined in this Agreement will have the same meaning as described in the Franchise Agreement being executed by the Franchisor and the Franchisee as of the Effective Date.

NOW THEREFORE, The parties therefore agree as follows:

1. GRANT OF DEVELOPMENT RIGHTS

1.1. Development Area. The Franchisor grants to the Franchisee the right, and the Franchisee undertakes the obligation, to develop and establish Locations using the Franchisor’s Marks and Licensed Methods at locations within the geographic area (“Development Area”) described in the Addendum to Multi-Unit Development Agreement, attached as Attachment A to this Agreement (“Addendum”).

1.2. Franchisor’s Reservation of Rights. The Franchisee acknowledges that the rights granted in this Agreement are non-exclusive and that the Franchisor, its affiliates and successors reserve the rights, among others and without payment of compensation to the Franchisee to use and to license others to use, the Marks and Licensed Methods in connection with the operation of Sola

Salon Studios at any location other than the Protected Territory established around your Locations.

1.3. Franchise Agreements. You must sign our then-current franchise agreements for each additional unit opened under the terms of this Agreement. These franchise agreements may not be the same as the Initial Franchise Agreement. The Franchisee agrees to comply with the terms and conditions of each Franchise Agreement as a part of its obligations hereunder and acknowledges that failure to execute and comply with such Franchise Agreements shall be treated as a breach of this Agreement.

2. INITIAL FEES

2.1. Fees. Concurrently with the execution of this Agreement, the Franchisor acknowledges that, in consideration of the development rights granted herein, and the development opportunities lost or deferred as a result of the rights granted to the Franchisee hereunder, the Franchisee shall pay the following sums (collectively, the “Fees”): either a \$40,000 Multi-Unit Development fee for a three unit purchase or \$100,000 Multi-Unit Development fee for a six unit purchase, to be developed hereunder, for a total initial amount paid as set forth in the Addendum. These Fees are in addition to any initial franchise fee due from or paid by Franchisee under a Franchise Agreement signed concurrently herewith.

2.2. Fees Nonrefundable. All Fees hereunder are nonrefundable once paid to the Franchisor and under no circumstances will the Franchisee be entitled to a refund, return or rebate of any portion of these fees.

3. DEVELOPMENT OBLIGATIONS

3.1. Development Schedule.

- a. Three Unit Development Schedule: At a minimum, the Franchisee shall develop the number of Locations in the Development Area during each 12-month period from the Effective Date of this Agreement (“Development Period”) in accordance with the schedule (“Development Schedule”) described in the Addendum, but in no event will the development exceed 36 months (3 years). For purposes herein, “develop” means to be open for retail business. The Franchisee agrees that time is of the essence with respect to: compliance with the Development Schedule.
- b. Six Unit Development Schedule: At a minimum, the Franchisee shall develop the number of Locations in the Development Area during each 12-month period from the Effective Date of this Agreement (“Development Period”) in accordance with the schedule (“Development Schedule”) described in the Addendum, but in no event will the development will exceed 60 months (5 years). For purposes herein, “develop” means to be open for retail business. The Franchisee agrees that time is of the essence with respect to: compliance with the Development Schedule.

3.2. Training and Other Development Assistance. The Franchisee may request that Franchisor waive the initial training program which is the same as or similar to the training provided under Section 6.1 of the Franchise Agreement executed concurrently herewith, for the second and any

subsequent Location developed under the terms of this Agreement, and Franchisor will not unreasonably deny such request. The Franchisee may request additional assistance from the Franchisor in connection with site selection, site feasibility studies, lease negotiations and other issues related to development of its Development Area. If the Franchisor agrees to provide, or designates a third party to provide, such assistance, in the Franchisor's sole discretion, the Franchisee shall pay all travel, lodging, living expenses, telephone charges and other identifiable expenses incurred in connection with such assistance, plus a fee based on hourly time spent by any of the Franchisor's or its designee's employees in connection with such assistance. A schedule of the hourly fees for the Franchisor's employees will be provided to the Franchisee upon request.

4. TERM AND TERMINATION

4.1. Term. This Agreement shall commence as of the date of execution hereof and, unless earlier terminated, shall end on the last day of the calendar month that the final Location is required to be developed and opened under the Development Schedule. After expiration of the term, or earlier termination of this Agreement as provided below, subject to any Protected Area granted under any Franchise Agreements which have not expired or been terminated, the Franchisor shall have the right to establish, or license any other party to establish Locations anywhere within the Development Area.

4.2. Termination By Franchisee. This Agreement may be terminated by the Franchisee for any reason upon 60 days prior written notice to all parties, provided that the Franchisee will not be entitled to a refund of any fees paid hereunder under any circumstances. Upon termination under this Section 4.2, neither party shall have any further rights or obligations under the MDA, and Franchisee shall not be responsible for any lost royalties or other fees payable to Franchisor for any Locations permitted hereunder by not developed by Franchisee.

4.3. Termination By Franchisor- Immediately Upon Notice. The Franchisor shall have the right, at its option, to terminate this Agreement and all rights granted the Franchisee hereunder, without affording the Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon notice to the Franchisee, addressed as provided in Section 9.7, upon the occurrence of any of the following events:

- a. Abandonment. If the Franchisee ceases to actively engage in development activities in the Development Area or otherwise abandons the business authorized hereunder for a period of three consecutive months, or any shorter period that indicates an intent by the Franchisee to discontinue development of Sola Salon Studios in the Development Area. The Franchisee's inability to locate and acquire or lease feasible and approvable sites for Locations shall not be deemed abandonment; provided, however, the Franchisor may require reasonable documentation of active efforts in this regard;
- b. Insolvency; Assignments. If the Franchisee becomes insolvent or is adjudicated a bankrupt; or if any action is taken by the Franchisee, or by others against the Franchisee under any insolvency, bankruptcy or reorganization act, (this provision may not be enforceable under federal bankruptcy law, 11 U.S.C. §§ 101 et seq.); or if the Franchisee makes an assignment for the benefit of creditors or a receiver is appointed by the Franchisee;

- c. Unsatisfied Judgments; Levy; Foreclosure. If any material judgment (or several judgments which in the aggregate are material) is obtained against the Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed); or if execution is levied against the Franchisee's business or any of the property used in the operation of the Sola Salon Studios and is not discharged within five days; or if the real or personal property of the Franchisee's business shall be sold after levy thereupon by any sheriff, marshal or constable;
- d. Criminal Conviction. If the Franchisee, or any of its owners, partners, managing members, officers or directors ("Principals") is convicted of a felony, a crime involving moral turpitude, or any crime or offense that is reasonably likely, in the sole opinion of the Franchisor, to materially and unfavorably affect the Licensed Methods, Marks, goodwill or reputation thereof;
- e. Failure to Make Payments. If the Franchisee fails to pay any Initial Fees or any other amounts due the Franchisor or its affiliates within 10 days after notice to Franchisee that such fees or amounts are overdue;
- f. Misuse of Marks. If the Franchisee misuses or fails to follow the Franchisor's directions and guidelines concerning use of the Franchisor's Marks and fails to correct the misuse or failure within 10 days after notification from the Franchisor;
- g. Unauthorized Disclosure. If the Franchisee intentionally or negligently discloses to any unauthorized person the contents of or any part of the Franchisor's Operations Manual (as defined and described in the Franchise Agreement), or any other trade secrets or confidential information of the Franchisor;
- h. Violation of Restrictive Covenants. If the Franchisee, its affiliates, Principals or any individual subject to the Restrictive Covenants described in Article 6 below intentionally or negligently violates those covenants;
- i. Repeated Noncompliance. If the Franchisee has previously received notices of three or more defaults (whether different defaults noticed together or three separate instances of the same default) pursuant to Section 4.4 below in a Development Period and is again in default of this Agreement within the Development Period, regardless of whether the previous default was cured by the Franchisee;
- j. Unauthorized Transfer. If the Franchisee sells, transfers or otherwise assigns the this Multi-Unit Development Agreement, a Franchise Agreement or one of the rights to develop a Location hereunder, or an interest in the Franchisee entity, this Agreement, without complying with the provisions of Article 5 below;

4.4. Termination by Franchisor - Thirty Days' Notice. The Franchisor shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to the Franchisee ("Breach Notice"), if the Franchisee breaches any provision of this Agreement other than those provisions listed in Section 4.3 above and fails to cure the default during such 30 day period. In that event, effective upon expiration of the 30 day period, this Agreement will terminate without further notice to the Franchisee. Defaults shall include, but not be limited to, the following:

- a. Failure to Maintain Standards. The Franchisee fails to maintain the then current operating procedures and adhere to the specifications and standards established by the Franchisor as set forth herein or in the Operations Manual, defined and described in the Franchise Agreement, or as otherwise communicated to the Franchisee;

- b. Deceptive Practices. The Franchisee engages in any unauthorized business or practice or sells any unauthorized product or service under the Franchisor's Marks or under a name or mark which is confusingly similar to the Franchisor's Marks;
- c. Failure to Obtain Consent. The Franchisee fails, refuses or neglects to obtain the Franchisor's prior written approval or consent as required by this Agreement;
- d. Failure to Comply with Manual. The Franchisee fails or refuses to comply with the then-current requirements of the Operations Manual, defined and described in the Franchise Agreement;
- e. Breach of Franchise Agreement. The Franchisee defaults under any term of any Franchise Agreement between the Franchisor and the Franchisee and such default is not cured within the time specified in the Franchise Agreement; or
- f. Failure to Timely Develop. If the Franchisee defaults on any term or condition of this Agreement; including without limitation, failure to develop in accordance with the Development Schedule.

Notwithstanding the foregoing, if the breach (i) is other than as stated in Section 4.4.(f) and (ii) is curable, but is of a nature which cannot be reasonably cured within such 30 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period, the Franchisee may apply in writing for an extension of time to cure the breach, and this Agreement shall not terminate as long as Franchisee completes such cure within ninety (90) days after Franchisor's delivery of the Breach Notice under this Section 4.4. Absent an application for an extension of time to cure the breach, this Agreement shall automatically terminate at the end of such 30-day notice period, unless the Franchisee cures the default set forth in such notice within said 30-day period. For a breach as stated in Section 4.4(f), if such breach is curable, but is of a nature which cannot be reasonably cured within such 30 day period and the Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such 30 day period, the Franchisee may apply in writing for an extension of time to cure the breach, and this Agreement shall not automatically terminate without written notice from the Franchisor. Absent an application for and the Franchisor's approval of an extension of time to cure the breach as set forth in Section 4.4(f), this Agreement shall automatically terminate at the end of such 30-day notice period, unless the Franchisee cures the default set forth in such notice within said 30-day period.

5. ASSIGNMENT

5.1. Assignment By Franchisor. This Agreement is fully assignable by the Franchisor and shall inure to the benefit of any assignee or other legal successor in interest, and the Franchisor shall be fully released from any and all obligations hereunder.

5.2. Assignment By Franchisee. The Franchisee or, if Franchisee is an entity, then also the owner(s) of Franchisee, may not sell, transfer or assign its (or their) rights under this Agreement or any interest in it or any part of the Franchisee entity. The only exception to this prohibition is a transfer or assignment to an entity that is an Approved Affiliate as defined below. An Approved Affiliate must be a wholly owned subsidiary of the Franchisee or an entity (A) controlled by Franchisee or the individual owners of Franchisee as either the (i) general partner of a limited partnership, (ii) the managing member of a limited liability company or (iii) the

majority shareholder and chairman of the board of a corporation and (B) of which Franchisee or the individual owners of Franchisee own at least 33% of all ownership interest, unless these requirements are waived by the Franchisor, in its sole discretion. The assignment shall be approved by the Franchisor by its execution of the then current form of Franchise Agreement and Multi-Unit Development Agreement which has also been signed by the Approved Affiliate, provided that:

- a. One of the individual owners of the Approved Affiliate or the Franchisee, if the Franchisee is the parent of the Approved Affiliate, who has a minimum of 15% of the ownership interest in the Approved Affiliate or the Franchisee, shall be designated by the Franchisee to supervise and direct the operations of the Location and each other Location developed hereunder (“Managing Owner”); and
- b. The Managing Owner and each other owner shall, at the request of the Franchisor, execute a separate Confidentiality and Noncompete Agreement with the Franchisor, as well as a personal Guaranty of each Franchise Agreement.

6. BUSINESS RELATIONSHIPS

6.1. Independent Contractor. During the term of this Agreement, the Franchisee shall be an independent contractor and shall in no way be considered as an agent, partner or employee of the Franchisor. It is understood and agreed that no agency or partnership is created by this Agreement. As such, the Franchisee has no authority of any nature whatsoever to bind the Franchisor or incur any liability for or on behalf of the Franchisor or to represent itself as anything other than an independent contractor.

6.2. Indemnification. The Franchisee shall indemnify and hold harmless the Franchisor and its affiliated companies and their respective officers, directors, members, managers, agents and representatives (“Indemnified Parties”) from all fines, suits, proceedings, claims, demands or actions of any kind or nature, including reasonable attorneys’ fees, from anyone whomsoever, directly or indirectly arising or growing out of, or otherwise connected with the Franchisee’s activities, actions or failure to act, under this Agreement, or the Franchisee’s operation of its Location(s) developed under this Agreement. For purposes of this indemnification, claims shall mean and include all obligations, actual and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants’, attorneys’ and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. The Franchisor shall have the right to defend any such claim against it and shall be entitled to indemnity therefor without first seeking coverage or recovery from any insurer or other third party. Failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts due to the Indemnified Parties hereunder. This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

7. MISCELLANEOUS; DISPUTE RESOLUTION

7.1. Mediation of Disputes. Neither party shall file a legal action seeking enforcement or any other legal remedy relating to or arising under this Agreement until the dispute has been

submitted to a non-binding mediation proceeding conducted in accordance with the following procedures:

- a. Either party may initiate a mediation proceeding (the “Initiating Party”) by notifying the other party in writing (the “Responding Party”). The mediation shall be conducted in accordance with the American Arbitration Association’s (“AAA”) then current mediation rules, but need not be administered by the AAA unless the parties cannot agree upon the selection of a mediator within 30 days of the receipt of the written demand for mediation. If the parties cannot reach agreement upon the selection of a mediator, either party may commence the mediation process by filing a written demand for mediation with the AAA, with a copy to the other party. The notice shall describe with specificity the nature of the dispute and Initiating Party’s claim for relief. Both parties will be obligated to engage in the mediation under the AAA’s then current rules, except to the extent the rules conflict with this Agreement, in which case this Agreement shall control.
- b. The mediation will be conducted by a single mediator with no past or present affiliation or conflict with the Franchisor, the Franchisee, or any other party to the mediation. The parties agree that the mediator shall be disqualified as a witness, expert, consultant or attorney in any pending or subsequent proceeding relating to the dispute which is the subject of the mediation.
- c. In the event the parties cannot agree on a mediator and the AAA administers the mediation, the AAA shall provide the parties with a list of mediators willing to serve. If the parties do not agree upon a mediator, and so advise the AAA in writing, within 10 days of receipt of such list, the AAA shall appoint the mediator. The fees and expenses of the AAA, if applicable, and the mediator’s fee, shall be shared equally by the parties. Each party shall bear its own attorneys’ fees and other costs incurred in connection with the mediation irrespective of the outcome of the mediation or the mediator’s evaluation of each party’s case.
- d. The mediation proceeding shall commence within 30 days after selection of the mediator. Regardless of whether the Franchisor or the Franchisee is the Initiating Party, the mediation shall be conducted at the Franchisor’s principal offices, unless the Franchisor and the Franchisee agree upon a mutually acceptable alternative location.
- e. At least seven days before the first scheduled session of mediation, each party shall deliver to the mediator and to the other party a concise written summary of its position with respect to the matters in dispute and Initiating Party’s claims for relief, and such other matters required by the mediator.
- f. The parties shall participate in good faith in the mediation with the intention of resolving the dispute, if at all possible. The parties recognize and agree, however, that the mediator’s recommendations and decision shall not be binding on the parties unless otherwise agreed in writing.
- g. During the mediation, the mediator may have joint and separate meetings with the parties and their counsel, at the mediator’s discretion. The mediation proceeding shall continue until conclusion, which is deemed to occur when: (i) a written settlement is reached, (ii) the mediator concludes and informs the parties in writing that further efforts would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Neither party may withdraw before the conclusion of the mediation proceeding.
- h. The mediation proceeding will be treated as a compromise settlement negotiation. All offers, promises, conduct and statements, whether oral or written, made in the course of

the mediation proceeding by any party or their agents, experts, counsel, employees or representatives, and by the mediator are confidential. Such offers, promises, conduct and statements may not be disclosed to any third party and are privileged and inadmissible for any purpose, including impeachment, under applicable laws or rules of evidence; provided however, that evidence otherwise discoverable or admissible shall not be rendered not discoverable or inadmissible as a result of its use in the mediation. If a party informs the mediator that information is conveyed in confidence by the party to the mediator, the mediator will not disclose the information.

7.2. Governing Law/Consent to Venue and Jurisdiction; Jury Trial Waiver. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), the Federal Arbitration Act, or other federal law, this Agreement shall be interpreted under the laws of the state of Colorado and any dispute between the parties shall be governed by and determined in accordance with the substantive laws of the state of Colorado, which laws shall prevail in the event of any conflict of law. The Franchisee and the Franchisor have negotiated regarding a forum in which to resolve any disputes which may arise between them and have agreed to select a forum in order to promote stability in their relationship. Therefore, if a claim is asserted in any legal proceeding involving the Franchisee, its officers, directors, managers or partners (collectively, "Franchisee Affiliates") and the Franchisor, its officers, directors or sales employees (collectively, "Franchisor Affiliates"), the parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado and each party waives any objection they may have to the personal jurisdiction of or venue in the state and federal courts of Colorado. THE FRANCHISOR, THE FRANCHISOR AFFILIATES, THE FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY.

7.3. Injunctive Relief. Notwithstanding the above provision for mediation, the Franchisor and the Franchisee will each have the right in a proper case to obtain injunctive relief and any damages incidental thereto from a court of competent jurisdiction. The Franchisee agrees that the Franchisor may obtain such injunctive relief, without posting a bond or bonds in excess of a total of \$500, but upon due notice, and the Franchisee's sole remedy in the event of the entry of such injunctive relief will be the dissolution of such injunctive relief, if warranted, upon hearing duly had; provided, however, that all claims for damages by reason of the wrongful issuance of any such injunction are hereby expressly waived by the Franchisee. Any such action will be brought as provided in Section 8.2 above and the prevailing party shall be entitled to its costs and attorneys' fees.

7.4. Limitation on Remedies. Except for the Franchisee's obligation to indemnify the Franchisor under Section 6.2 above, the Franchisor and the Franchisor Affiliates and the Franchisee and the Franchisee Affiliates waive to the fullest extent permitted by law any right or claim to any punitive or exemplary damages. The Franchisor and the Franchisor Affiliates and the Franchisee and the Franchisee Affiliates agree that any legal proceeding shall be conducted on an individual, not a class wide basis, and that a legal proceeding between the Franchisor and the Franchisor Affiliates and the Franchisee and the Franchisee Affiliates shall not be consolidated with any other proceeding involving the Franchisor and the Franchisor Affiliates and any other party.

8. GENERAL PROVISIONS

8.1. Binding Effect. This Agreement shall be binding upon and inure to the benefit of each of the parties' respective heirs, successors, assigns and personal representatives.

8.2. Review. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not fewer than 14 calendar days, or 10 full business days, whichever is the requisite period for disclosure under the federal and any applicable state franchise laws, during which time the Franchisee has had the opportunity to submit the same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

8.3. No Waiver. No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by any party hereto shall be considered to imply or constitute a further waiver of the same or any other condition, covenant, right or remedy.

8.4. Modification. This Agreement may be modified only upon execution of a written agreement between the parties.

8.5. Entire Agreement. This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, both oral and written, concerning the subject matter hereof, provided that any Franchise Agreement executed by the parties hereto shall remain binding, except to the extent that this Agreement specifically supersedes any term thereof. The Franchisee acknowledges that it has not relied on any verbal representations or commitments made prior to the execution hereof and agrees that the Franchisor will not be liable or obligated for any claims of negligent or fraudulent misrepresentation based on any such verbal representations or commitments. The Franchisor does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement and the most recent Franchise Disclosure Document ("FDD") provided by the Franchisor in connection herewith. The Franchisee further acknowledges and agrees that no representations have been made to it by the Franchisor regarding projected sales volumes, market potential, revenues, profits of the Franchisee's Sola Salon Studio, or operational assistance other than as stated in this Agreement or in the most recent FDD provided by the Franchisor. Nothing in this agreement or in any related agreement is intended to disclaim any of the representations made in the disclosure document.

8.6. Invalidity. If any provision of this Agreement is held invalid by any court of competent jurisdiction in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included. The remaining provisions of this Agreement shall not be affected by such modification.

8.7. Notices. All notices required to be given under this Agreement shall be given in writing, by certified mail, return receipt requested, or by an overnight delivery service providing

documentation of receipt, at the addresses first set forth above, or at such other address as either party may designate from time to time by written notice as set forth herein. Notice shall be deemed effective when deposited in the United States mail postage prepaid or when received by overnight delivery, as may be applicable.

8.8. Controlling Terms. In the event of any conflict between the terms of this Agreement and the terms of the Franchise Agreement, the terms of this Agreement shall control.

8.9. Attorneys' Fees and Costs. In the event of any dispute between the parties to this Agreement, in addition to all other remedies, the non-prevailing party in any legal action, arbitration or other proceeding will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in such action or other proceeding.

8.10. Review of Agreement. The Franchisee acknowledges that it had a copy of this Agreement in its possession for a period of time not less than 14 calendar days or 10 full business days, whichever is applicable, during which time the Franchisee has had the opportunity to submit same for professional review and advice of the Franchisee's choosing prior to freely executing this Agreement.

8.11. Survival of Provisions. Any provisions that by their terms extend beyond termination or expiration of this Agreement shall continue in full force and effect subsequent to and notwithstanding the termination or expiration of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed effective as of the date first above written.

FRANCHISOR: SOLA FRANCHISE CORPORATION

By: _____
Matthew H. Briger
Title: C.E.O.

FRANCHISEE: _____

By: _____
Title: _____

By: _____
Title: _____

By: _____
Title: _____

ATTACHMENT A

ADDENDUM TO MULTI-UNIT DEVELOPMENT AGREEMENT BETWEEN
SOLA FRANCHISE CORPORATION
AND

THIS ADDENDUM (“Addendum”) to the Multi-Unit Development Agreement dated _____, 20__, is made effective as of the same date, by and between SOLA FRANCHISE CORPORATION (“Franchisor”) and _____ (“Franchisee”), to supplement and amend certain terms of the Multi-Unit Development Agreement. To the extent not defined herein, all initial-capitalized references in this Addendum shall have the same meaning as defined in the Multi-Unit Development Agreement.

1. Development Area. The Development Area, as referred to in Section 1.1 of the Multi- Unit Development Agreement, is described below by geographic boundaries and on the attached map and shall consist of the following area or areas:

2. Fees. The total amount paid as of the Effective Date of the Multi-Unit Development Agreement, as calculated in accordance with Section 2.1 of the Multi-Unit Development Agreement, is \$ _____. The total amount shall be paid upon execution thereof.

3. Development Schedule. The Development Schedule referenced in Section 3.1 of the Multi-Unit Development Agreement is as follows:

Development Period	Cumulative Minimum Number of Locations in Development Area	Last Day of Development Period (i.e.: be open for retail business)
First		
Second		
Third		
Fourth		
Fifth		
Sixth		
TOTAL LOCATIONS		

The first Development Period commences on the Effective Date and expires on the date shown above. Each subsequent Development Period commences on the date succeeding the last day of the preceding Development Period and expires on the respective date shown above. Development of Locations during the term of the Agreement are cumulative. Therefore, if the Franchisee meets its total development goal prior to the end of the Development Period, the Franchisee's development goal will be satisfied for that Development Period. Locations located in the Development Area existing as of the Effective Date do not count toward fulfillment of the Franchisee's cumulative development goal.

IN WITNESS WHEREOF, the parties hereto have executed this Addendum on the date first set forth above.

FRANCHISOR: SOLA FRANCHISE CORPORATION

By: _____

Matthew H. Briger

Title: C.E.O.

FRANCHISEE: _____

By: _____

Title: _____

By: _____

Title:

By: _____

Title: _____

RECEIPT (FRANCHISOR 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 Sola Franchise Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. In the States of New York and Rhode Island, the delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale. In the State of Iowa, the delivery of the Disclosure Document is to be received at the earlier of our first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale. In the State of Michigan, the delivery of the Disclosure Document is to be received at least 10 business days before the execution of the franchise or other agreement, or the payment of any consideration, whichever comes first.

If Sola Franchise Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commissioner, Washington, D.C. 20580 and the state agency listed on Exhibit D for your state.

The franchise seller for this offering is _____ (name), _____ (title), at Sola Franchise Corporation 50 South Steele Street, Suite 1050, Denver, Colorado 80209; and Phone (303)-377-7652.

Date of Issuance: March 15, 2014

See Exhibit D for our registered agents authorized to receive service of process.

I have received a disclosure document dated _____ that included the following Exhibits:

- A Financial Statements
- B Franchise Agreement
 - Attachment I Addendum to Franchise Agreement
 - Attachment II Electronic Payment Authorization
 - Attachment III Collateral Assignment of Telephone Numbers, Addresses, and Listings
 - Attachment IV Statement of Ownership
 - Attachment V Guaranty and Assumption of Franchisee’s Obligations
 - Attachment VI General Release
- C Compliance Questionnaire
- D State Administrators and Agents for Service of Process
- E State and Provincial Addendum
- F Manual Table of Contents
- G Nondisclosure and Noncompetition Agreement
- H Multi Area Development Agreement
 - Attachment A - Addendum to Multi-Unit Development Agreement

Last Page Receipt

Dated: _____

PROSPECTIVE FRANCHISEE:

(Print Name)

By: _____

Please sign this copy of the receipt, date your signature, and return it to Sola Franchise Corporation.

RECEIPT (FRANCHISEE 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 Sola Franchise Corporation offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale. In the States of New York and Rhode Island, the delivery of the Disclosure Document is to be received at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale. In the State of Iowa, the delivery of the Disclosure Document is to be received at the earlier of our first personal meeting or 14 calendar days before the execution of the franchise or other agreement or the payment of any consideration to us or an affiliate in connection with the proposed franchise sale. In the State of Michigan, the delivery of the Disclosure Document is to be received at least 10 business days before the execution of the franchise or other agreement, or the payment of any consideration, whichever comes first.

If Sola Franchise Corporation does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commissioner, Washington, D.C. 20580 and the state agency listed on Exhibit D.

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 - Attachment A - Addendum to Multi-Unit Development Agreement

Last Page Receipt

Dated: _____

PROSPECTIVE FRANCHISEE:

(Print Name)

By: _____

Please sign this copy of the receipt, date your signature, and retain it for your records.