FRANCHISE DISCLOSURE DOCUMENT

STC Franchising, LLC
(A Kentucky Limited Liability Company)
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(855) 727-2684
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www.suntancity.com

The franchise offered is for a salon featuring tanning and wellness equipment and services, including UV and spray tanning, red light therapy and other similar tanning and wellness equipment and services, together with the sale of skin care, beauty, tanning and wellness products and accessories.

The total investment necessary to begin operation of a **SUN TAN CITY**® franchise is $1,048,790 to $1,797,750. This includes $30,000 to $48,000 that must be paid to the franchisor or its affiliate.

The total investment necessary to begin operations under an Area Development Agreement for three (3) **SUN TAN CITY**® franchises is $1,068,790 to $1,817,750. This includes $30,900 to $48,900 that must be paid to the franchisor or its affiliate. If you enter into an Area Development Agreement, then the development fee is $30,000 for the first Salon, and an additional $10,000 for each additional Salon to be developed under the Area Development Agreement. When you enter into a franchise agreement established under the Area Development Agreement, we may credit $30,000 of the development fee against the first installment of the initial franchise fee for the first Salon.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no 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 to you. To discuss the availability of disclosures in different formats, contact Beth Edelen at beth.edelen@suntancity.com and (855) 727-2684.

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 contracts carefully. Show your contracts 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.

Issue Date: March 31, 2026

How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits, or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20, Exhibit "I", or Exhibit "I-1".
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit "J" includes financial statements. Review these carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Sun Tan City business in my area?	Item 12 and the "territory" provisions in the Franchise Agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Sun Tan City franchisee?	Item 20 or Exhibit "I" and Exhibit "I-1" list current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	These questions are only a few things you should look for. Review all 23 items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

What You Need to Know About Franchising Generally

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The Franchise Agreement and the Area Development Agreement require you to resolve disputes with us by arbitration in Louisville, Kentucky. Out of state arbitration may force you to accept a less favorable settlement for your disputes. It may also cost you more to arbitrate with us in Kentucky than in your home state.

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

SUN TAN CITY® DISCLOSURE DOCUMENT

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SUN TAN CITY®
DISCLOSURE DOCUMENT

ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, STC Franchising, LLC, the franchisor of the **SUN TAN CITY®** franchise system (the "System"), is referred to in this disclosure document as "we," "us," or "STC." A franchisee is referred to in this disclosure document as "you" and "your." If you are a legal entity, "you" includes your owners.

This disclosure document describes the terms and conditions upon which we currently offer **SUN TAN CITY®** franchises. We reserve the right, in our sole discretion, to grant, or not to grant, a **SUN TAN CITY®** franchise to any prospective franchisee, regardless of the stage of the franchise application process or costs expended by the prospective franchisee. 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.

This disclosure document summarizes certain key features of the System. Descriptions in this disclosure document are required to be brief and are for general informational purposes only. In many cases, the body of the disclosure document contains excerpts or summaries of the Franchise Agreement (attached to this disclosure document as Exhibit "B") and other documents including, but not limited to, an Area Development Agreement (attached to this disclosure document as Exhibit "C"). The actual agreements will be controlling, and you should refer to the exhibits to this disclosure document for complete information.

We urge you to carefully review this disclosure document and all agreements (including a comparison to any prior agreement if a replacement of an existing Franchise Agreement is involved) with persons who can provide you with legal, business and economic guidance, such as your lawyer and accountant.

Franchisor's Business Form, Parents, Predecessors and Affiliates

We are a limited liability company formed under Kentucky law on April 20, 2007. Our principal business address is 101 Catalog Drive, Elizabethtown, Kentucky 42701, and our registered agent is Christopher J. Sternberg, 445 E. Market Street, Suite 310, Louisville, Kentucky 40202. We and/or our affiliates do business under our corporate name and under the **SUN TAN CITY®** name. We sell franchises for the operation of **SUN TAN CITY®** businesses. Prior to 2012, we sold franchises for the operation of **tanworld®** businesses. We no longer offer franchises for **tanworld®** businesses. Our additional agents for service of process are listed on Exhibit "D."

We have been offering **SUN TAN CITY®** franchises for sale since March 1, 2007. **SUN TAN CITY®** businesses are salons featuring tanning and wellness equipment and services, including UV and spray tanning, facial and full body red light therapy, touchless/automated massages, cryotherapy, cold plunge, salt therapy, infrared sauna, teeth whitening and other similar tanning and wellness services, with equipment and services varying by location, together with skin care, beauty, tanning and wellness products and accessories ("Salons").

We have recently developed and begun testing an affiliated concept to **SUN TAN CITY®** called **WELLNESS CITY™** which offers many of the same services and equipment as **SUN TAN CITY®** but with a greater emphasis on wellness and spa services. We opened our first corporate **WELLNESS CITY™** in Kokomo, Indiana in October 2025. At this time, the Wellness City concept will only be tested with a limited number of qualified franchisees in select markets in 2026. Participating franchisees will be required to execute a Wellness City™ Testing and Conversion Addendum to their Sun Tan City Franchise Agreement outlining the terms of participation. Our current form of Wellness City™ Testing and Conversion Addendum is attached to this disclosure document as Exhibit "F." **WELLNESS CITY™** salons will also face competition from other national, regional, and local tanning salons, spas and other businesses offering indoor tanning, spa or wellness services within their trade territory, including fitness and gym facilities.

We offered **tanworld®** franchises for sale between January 1, 2011, when we purchased substantially all of the assets, including the franchise rights, of TWI Franchising, Inc., and December 31, 2011, when we determined that we would no longer offer franchises in that line of business under the **tanworld®** name. A **tanworld®** salon offered tanning services, tanning supplies, and related items. As of December 31, 2015, there were no **tanworld®** franchisees.

We do not engage in any business other than the offer and sale of **SUN TAN CITY®** franchises. Neither we nor our affiliates operate **SUN TAN CITY®** Salons or **tanworld®** salons, with the exception of our affiliate, STC Consolidated Operations, LLC, which operates company-owned **SUN TAN CITY®** Salons. Historically, company-owned **SUN TAN CITY®** Salons were owned and operated by several affiliates. The first **SUN TAN CITY®** Salon was opened in 1999. In separate transactions, the last of which was effective as of January 1, 2011, all company-owned **SUN TAN CITY®** Salons were consolidated with and into our parent company, STC Consolidated Operations, LLC. Currently, we are a wholly-owned subsidiary of STC Consolidated Operations, LLC. Further, management services and ownership of our principal trademarks are provided by other affiliates of ours. We have never conducted business in any other line of business or sold franchises in any line of business other than **SUN TAN CITY®**, **Shine®** or **tanworld®**.

STC Consolidated Operations, LLC, a limited liability company formed under Kentucky law on December 22, 2008, is our parent. STC Consolidated Operations, LLC's principal business address is 101 Catalog Drive, Elizabethtown, KY 42701. You may purchase equipment, inventory and supplies from STC Consolidated Operations, LLC. STC Consolidated Operations, LLC does not now and has never in the past sold franchises in any line of business. STC Consolidated Operations, LLC is the owner of the System which will be licensed under the Franchise Agreements. STC Consolidated Operations, LLC owned and operated98 **SUN TAN CITY®** Salons (the "Company Salons") as of December 31, 2025.

STC Management Group, LLC, a limited liability company formed under Kentucky law on September 1, 2004, is our affiliate. STC Management Group, LLC is a minority owner (member) of STC Consolidated Operations, LLC, our parent company, and serves as the manager of us and STC Consolidated Operations, LLC. STC Management Group, LLC's principal business address is 101 Catalog Drive, Elizabethtown, KY 42701. You may purchase equipment, inventory, services and supplies from STC Management Group, LLC. STC Management Group, LLC does not now and has never in the past sold franchises in any line of business.

Sun Tan City, LLC, a limited liability company formed under Kentucky law on September 9, 2004, is our affiliate. Sun Tan City, LLC is a minority owner (member) of our parent company, STC

Consolidated Operations, LLC. Sun Tan City, LLC's principal business address is 101 Catalog Drive, Elizabethtown, KY 42701. You will not conduct business directly with Sun Tan City, LLC. Sun Tan City, LLC does not now and has never in the past sold franchises in any line of business. Sun Tan City, LLC is the owner of the trademarks which will be sub-licensed under the Franchise Agreements.

We do not have any predecessors.

The Franchise

SUN TAN CITY® Salons use our System, the distinguishing characteristics of which include distinctive exterior and interior design, décor, color scheme and furnishings; uniform standards, specifications, and procedures for operations; quality and uniformity of services and products offered; procedures for inventory, management and financial controls; training and assistance; and advertising and promotional programs, all of which we may change, improve, and further develop in our sole discretion. **SUN TAN CITY®** Salons operate under the trade name and service mark "**SUN TAN CITY®**" and other trade names, service marks, trademarks, logos and emblems that we may designate for use by **SUN TAN CITY®** Salons (the "Marks"). The Marks, together with the System and the franchise license granted under the Franchise Agreement to operate a **SUN TAN CITY®** Salon, are referred to collectively in this disclosure document as the "Business."

Our services and products are used by the general public, with the large majority of our clients between the ages of 18 and 44 years old. The majority of the selling is done from February to June annually due to the seasonal nature of the tanning business. A **SUN TAN CITY®** Salon normally has approximately 15 – 25 pieces of tanning and wellness equipment, including tanning beds and one or more spray tanning booths that use a special process to tan the skin through the application of tanning solutions to the skin surface. In 2021, we began testing wellness and spa-type services in Company Salons, including hydromassage, sauna, red light, blue light and infrared light services. In 2022, we provided an overview of this equipment and services and usage levels in test Salons to our franchisees. By the end of 2023, equipment offering one or more of these services was installed in a majority of our Company Salons and made available for purchase by franchisees. In 2025, we announced that by February 2027, all franchisees must purchase and install, in each of their Salons, a minimum of one latest generation Instant sunbed and three pieces of wellness equipment. We will continue to test additional wellness equipment and services and as appropriate offer or mandate such equipment or services for franchisees. The Salon's standards of operation (the "Standards") will be designated in the Franchise Agreement and in our Operations Manual, Training Manuals and Franchise Owner's Business Manual (collectively, the "Manuals"). We reserve the right to amend these Standards, in our sole discretion, at any time and from time to time including but not limited to, limiting or restricting approved vendors for our inventory, supplies and equipment.

Qualified applicants are offered a Franchise Agreement, which gives you the right to establish one **SUN TAN CITY®** Salon at a specific location within a non-exclusive geographic area (the "Designated Area"). Our current form of Franchise Agreement is attached to this disclosure document as Exhibit "B." If you operate a tanning business (and you are not an existing **SUN TAN CITY®** developer/franchisee) and are seeking to become a **SUN TAN CITY®** developer and/or franchisee and convert your tanning salon locations to **SUN TAN CITY®** Salons ("Conversion Salons"), you will also sign the Conversion Addendum to the Franchise Agreement, which modifies certain provisions of our standard form of Franchise Agreement for existing tanning businesses that convert to the **SUN TAN CITY®** System. Our current form of Conversion Addendum is attached to this disclosure document as Exhibit "E."

We also offer qualified applicants the ability to enter into a development agreement (the "Area Development Agreement") to develop multiple **SUN TAN CITY®** Salons within a specifically described geographic area (the "Development Area"). Our current form of Area Development Agreement is attached to this disclosure document as Exhibit "C." The size of the Development Area will vary depending on the local market conditions and the number of Salons to be developed. The Development Area will be determined before you sign the Area Development Agreement and will be described in the Area Development Agreement. You must develop the number of Salons contemplated by the Area Development Agreement in the Development Area according to a development schedule. The minimum number of Salons that you must open pursuant to the Area Development Agreement will be mutually agreed upon by you and us. We are not required to offer or enter into an Area Development Agreement with franchisees that develop more than one Salon.

The Franchise Agreement for the first Salon developed under an Area Development Agreement will be in the form of Exhibit "B" to this disclosure document and must be signed, along with any required addenda and related agreements, within 90 days after the Area Development Agreement is signed. For each additional Salon developed under the Area Development Agreement, you must sign our then-current Franchise Agreement and any required addenda and related agreements.

Any person who directly or indirectly owns or controls 5% or more of your franchise must also sign a Personal Guaranty of Franchisee's Obligations Agreement included as Exhibit B to the Franchise Agreement and any other agreement that we determine. The spouse of an owner of your franchise will not be required to sign a Personal Guaranty unless such spouse also directly or indirectly owns 5% or more of your franchise. Your owners must also agree to be individually bound by certain obligations and covenants in the Area Development Agreement and, unless we otherwise agree, must personally guarantee your performance under the Area Development Agreement.

The terms of the Franchise Agreement and the Area Development Agreement that we have previously offered may differ from the terms of the Franchise Agreement and Area Development Agreement offered by this disclosure document. In addition, we have negotiated, and may in the future negotiate, various terms of our Franchise Agreement and Area Development Agreement, including fees over which we have control, based on the number of Salons to be developed, demographic characteristics of the Salons to be developed, competition from, proximity to, and nature of other businesses and other factors that we deem relevant in our sole and absolute discretion.

Competition

The services and related goods you will sell are well recognized by consumers and widely available from other sources. The market for the franchise's services and related goods is well developed. Our services and related goods are sold primarily to individuals. Competition may vary depending on the location of your Salon, i.e. a small community or a larger city. For the most part, you will have to compete with other local tanning salons, wellness spas and other businesses offering indoor tanning, spa or wellness services within your trade territory, including fitness and gym facilities. These include independent businesses as well as regional, national or international chains.

Industry Specific Regulation

You will be required to comply with Food and Drug Administration ("FDA") health, sanitation and other guidelines and regulations relating to the tanning industry. You will also be required to comply with health, sanitation and other regulations within your state and local jurisdiction. As examples, some

states and local jurisdictions require that tanning bed operators be licensed and/or certified; some have tanning industry related labor regulations, as well as regulations controlling tanning bed and lamp usage, including establishing a minimum age for tanning; and some states may require you to post specific notices regarding the services offered at your Salon. Many states and local jurisdictions prohibit, or place other restrictions on, tanning by minors, and many more states and local jurisdictions have proposed restrictions on minor tanning. Additionally, under the Patient Protection and Affordable Care Act ("ACA") enacted into law in 2010, tanning clients are assessed a 10% federal excise tax on all UV tanning services (the "Tan Tax"). You are responsible for collecting and remitting the Tan Tax to the appropriate federal taxing authority.

In 2014, the FDA issued a final order reclassifying sunlamp products and ultraviolet (UV) lamps intended for use in sunlamp products from low-risk (class I) to moderate-risk (class II) devices. The order requires that sunlamp products carry a visible black-box warning on the device that explicitly states that the sunlamp product should not be used on persons under the age of 18 years. In addition, certain marketing materials for sunlamp products and UV lamps must include additional and specific warning statements and contraindications.

In 2015, the FDA proposed additional regulations related to the indoor tanning industry, which if adopted, could result in the following rules: (1) limiting each client to not more than two UV tanning sessions per week; (2) requiring a minimum of 48 hours between UV tanning sessions; (3) imposing a maximum annual limit of 48 UV tanning sessions a client may undertake; (4) imposing a federal ban on UV tanning by persons under the age of 18; and (5) requiring all UV tanning clients to sign a form every six months acknowledging the risks of indoor tanning. On March 16, 2026, the FDA formally withdrew the proposed regulations that would have imposed a federal ban on UV tanning by persons under age 18 and that would have required all clients to sign a risk acknowledgement form every six months. In the Spring 2025 Unified Agenda published by the Office of Management and Budget in October 2025, the FDA indicated that the remaining proposed rules impacting the indoor tanning industry could be finalized as soon as January 2026.

Other than these laws and regulations and those relating to businesses generally, we are not aware of any laws or regulations that are specific to the industry in which **SUN TAN CITY**® franchises currently operate. It is your responsibility to check the laws within your state and local jurisdictions to determine whether any state or local licensing laws or regulations are applicable and to fully comply with any such laws or regulations.

ITEM 2

BUSINESS EXPERIENCE

Richard D. Kueber, Jr., Co-Founder and Chief Executive Officer

Rick Kueber is co-founder and CEO of Sun Tan City (Elizabethtown/Louisville, Kentucky) and has served in the role of CEO continuously since January 1999.

Mark Nelson, Deputy Chief Executive Officer

Mark Nelson joined Sun Tan City (Elizabethtown/Louisville, Kentucky) in September 2005 as Regional Director of Operations. In January 2013, Mark was named Vice President – Operations and in December 2017, Mark was promoted to Senior Vice President – Operations. In August 2020, Mark was promoted to Brand President of Company Salons, responsible for overseeing operations as well as Human Resources for the Company. In August 2023, Mark was promoted to Deputy Chief Executive Officer.

Chad Brizendine, Chief Marketing Officer

Chad Brizendine joined Sun Tan City (Louisville, KY) in August 2025 as Chief Marketing Officer. Prior to joining Sun Tan City, Chad was Chief Marketing Officer of Buff City Soap from 2020 to 2025. Mr. Brizendine brings 10+ years of traditional marketing experience from Procter & Gamble (Febreze, Walmart, Pampers). Mr. Brizendine also brings startup experience having founded George Remus Bourbon through exit to NASDAQ MGPI.

Susie Butler, Brand President

Susie joined Sun Tan City (Elizabethtown, Kentucky) in 2008 as a District Manager. In 2013 Susie was promoted to Regional Manager, followed by Regional Director in 2016, and Regional Vice President in 2017. In 2021, she was promoted to Vice President of Operations managing all corporate Sun Tan City salons. In January 2025, Susie was promoted to Brand President, reporting to the Deputy Chief Executive Officer. Susie is responsible for overseeing all Sun Tan City corporate operations and also provides support to our Franchising, Learning and Development and Client Services departments.

Jeffery T. Cheatham, Senior Vice President and Treasurer

Jeff Cheatham joined Sun Tan City (Elizabethtown, Kentucky) as Chief Financial Officer in February 2007 and became Vice President and Treasurer in August 2011. In December 2017, Jeff was promoted to Senior Vice President and Treasurer.

Beth W. Edelen, Executive Vice President – Franchising

Beth Edelen joined Sun Tan City (Elizabethtown/Louisville, Kentucky) as Director of Franchise Sales in April 2012. In April 2015, she was promoted to Senior Director of Franchising, in December 2017, was promoted to Vice President – Franchising and in January 2022, was promoted to Senior Vice President - Franchising. In December 2024, Beth was promoted to Executive Vice President - Franchising, responsible for overseeing all aspects of Franchise Development and Support. Beth was the Director of Franchising for Papa John's International, Inc. (Louisville, Kentucky) from June 1996 until July 2003.

Stephen C. Greenlaw, President and Chief Operating Officer

Steve Greenlaw joined Sun Tan City (Elizabethtown/Louisville, Kentucky) in February 2007 as Chief Operating Officer. In March 2015, Steve was promoted to President and Chief Operating Officer. Steve is responsible for overseeing corporate real estate and new salon development, and field support.

Michael T. Gustafson, Chief Construction Officer

Mike Gustafson joined Sun Tan City (Elizabethtown/Louisville, Kentucky) in August 2006 as Director of Development. In January 2013, Mike was named Vice President, Development, in December 2017, Mike was promoted to Senior Vice President – Development and in January 2022, was promoted to Chief Construction Officer. Mike is responsible for salon development and construction and for overseeing maintenance of corporate Sun Tan City salons.

Al Holt, Senior Vice President – Loss Prevention and Employee Relations

Al Holt joined Sun Tan City (Elizabethtown, Kentucky) in 2008 as Director of Loss Prevention and Employee Relations. Al was promoted to Senior Director in January 2014, to Vice President in December 2017, and to Senior Vice President in January 2021. Al oversees Loss Prevention and Employee Relations for the company.

Lauren Kron, Vice President of Learning and Development

Lauren Kron joined Sun Tan City (Elizabethtown/Louisville, Kentucky) in 2006 and held the positions of Salon Director, Corporate Trainer and Field Support Specialist. In 2013, Lauren was promoted to Manager, Field Support and Curriculum Development. In August 2015, the Field Support team transitioned to the Learning and Development Department with Lauren serving as our first Director of Learning and Development. In January 2021, Lauren was promoted to Senior Director of Learning and Development and in January 2023, was promoted to Vice President of Learning and Development**.** Lauren also oversees the Communication department.

John C. Piwetz, Executive Vice President and Chief Financial Officer

John Piwetz joined Sun Tan City (Elizabethtown, Kentucky) in January 2009 as Director of Strategic Planning and Analysis, and in August 2011 became Chief Financial Officer. In March 2015, John was promoted to Executive Vice President and Chief Financial Officer. In this capacity, John oversees Finance, Analysis, Retail Products, Information Technology and Support Services. Prior to joining Sun Tan City, John was with Movie Gallery (Dothan, Alabama) as Senior Director of Operations Analysis from December 2007 through January 2009.

Christopher J. Sternberg, Executive Vice President and Chief Legal Officer

Chris Sternberg joined Sun Tan City (Louisville, Kentucky) in September 2012 as Senior Vice President, Secretary and General Counsel and was promoted to Executive Vice President and Chief Legal Officer in January 2021. Chris oversees the Legal, Quality Assurance, Risk Management and Loss Prevention functions for the Company. Prior to that, Chris was employed at Papa John's International, Inc. (Louisville, Kentucky) serving as General Counsel from 2009 through 2012 and Senior Vice President, Corporate Communications from 2005 to 2012.

Jason Wyatt, Executive Vice President and Chief Information Officer

Jason Wyatt joined Sun Tan City (Elizabethtown, Kentucky) in November 2009 and became Senior Director of Information Technology in June of 2015. In June 2017, Jason was promoted to Vice President – Information Technology and Support Services and in January 2022, was promoted to Senior Vice President. In May 2023, Jason was promoted to Chief Information Officer, and in January 2026 added the title of Executive Vice President, responsible for overseeing the Company's information technology function, distribution and procurement, and retail products division.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this item.

ITEM 5

INITIAL FEES

The fees described in this Item 5 are payable prior to opening and are not refundable under any circumstances.

Development Fee

When you sign an Area Development Agreement, you must pay us a lump sum, nonrefundable development fee equal to 100% of the initial franchise fee in the amount of $30,000 for the first Salon, and an additional $10,000 for each additional Salon to be developed under the Area Development Agreement. The initial $30,000 development fee will be credited against the franchise fee for the first salon at the time the first Franchise Agreement is signed. The allocable portion of the remaining development fee is credited against the initial franchise fee for subsequent Salons to be developed under the Area Development Agreement at the time that payment of the initial franchise fee is due for each Salon. You must pay the $20,000 balance of the initial franchise fee at the time each additional Franchise Agreement is signed, unless state law dictates otherwise. The development fee is calculated the same for all franchisees entering into Area Development Agreements under this offering, but the actual dollar amount paid will vary depending on the number of Salons you must develop and whether you are a Conversion Salon operator. The minimum number of Salons that you must open pursuant to the Area Development Agreement will be mutually agreed upon by you and us. Unless otherwise provided by state law in your jurisdiction, the development fee will be fully earned by us upon signing of the Area Development Agreement and is not refundable under any circumstances.

Initial Franchise Fee

You must pay us a lump sum nonrefundable initial franchise fee in the amount of $30,000, which is due in full upon signing the Franchise Agreement. In 2025, the initial franchise fees ranged from $0 to $30,000. Unless otherwise provided by state law in your jurisdiction, the fee will be fully earned by us upon signing of the Franchise Agreement and is not refundable under any circumstances.

We may, in our sole discretion, waive or reduce the amount of the initial franchise fee for each existing and operating tanning salon that you are converting to a **SUN TAN CITY®** Salon through a mutually acceptable conversion plan. In determining whether an adjustment is warranted, we consider, in our sole discretion, such factors as the number of existing tanning salons to be converted, the experience of the operator, any prior history with the operator, the impact of market forces in a given location, and such other factors we deem relevant in our sole discretion.

Site Evaluation

We will provide site evaluation assistance for your first Salon at no additional charge. We are not obligated to provide this assistance for any subsequent Salon that either you or an affiliate of yours will operate under one or more Franchise Agreements with us. If we do, you may be required to pay or reimburse our reasonable expenses, including our cost of site analysis software, travel, lodging and meals.

Inventory

You must purchase an initial supply of inventory and selling supplies, which you may purchase from us, our affiliate STC Consolidated Operations, LLC, or our approved suppliers. You are not required to purchase your initial supply of inventory or selling supplies from us or our affiliates. The cost of your initial inventory and selling supplies is estimated at $6,000 to $8,000. We'll give you a list

of everything else you will sell, which may not be uniformly priced by our approved suppliers for our franchisees.

Training

You (and any other person we deem to be a key employee for your Salon) must attend and satisfactorily complete our initial training program before opening your Salon. For the first Salon that either you or an affiliate of yours opens, we do not charge for training given in a Company Salon for any first role positions, including the initial Salon Director, District Manager, Training Salon Director and Trainer (collectively, the "Salon Operators"). You are responsible for all expenses that you and your employees incur for all training programs, including the cost of travel, lodging, meals, and wages. If you have additional attendees, we reserve the right to charge you the then standard fee charged by us to other franchisees for additional attendees, which is currently $300 per day on-site training session, minimum of three days. In addition, in the event that you or an affiliate of yours opens one or more additional Salons under one or more Franchise Agreements with us or an affiliate of ours, we, or an affiliate of ours, will charge you our then standard fee for training your additional Salon Operators, which is currently $300 per day on-site training session, minimum of three days.

Computers and Software

You must purchase all computer hardware, software and peripherals from us or one of our affiliates or approved suppliers. The cost of the required computer equipment for your **SUN TAN CITY®** Salon is approximately $7,000 to $10,000.

ITEM 6

OTHER FEES

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Royalty (New Franchisee)[;4]	8% of Gross Revenue[2] commencing on the first day of operations ("Opening Date")	Monthly via draft settlement	Paid to us via debit draft of your account as initiated by us or withheld from the electronic fund processing ("EFT") drafts that we collect on your behalf. See Articles 3.2 and 3.5 of the Franchise Agreement.
Royalty (Conversion Franchisee)[;4]	1-12 months from Opening Date of operations: 5% of Gross Revenue; 13-24 months from Opening Date: 6% of Gross Revenue; 25 months from Opening Date through end of the term: 7% of Gross Revenue	Monthly via draft settlement	Paid to us via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf. See Articles 3.2 and 3.5 of the Franchise Agreement and Article 3 of the Conversion Addendum.

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Interest	Highest contract rate of interest permitted by applicable law.	When underlying obligation is due and payable[3]	Paid to us if you are late on any required payments to us. Highest contract rate of interest permitted by law. See Article 3.4 of the Franchise Agreement.
Conversion Team On-Site Services	$1,000	Ten days after the Salon opening	Applies to Conversion Salons and is imposed by and collected by us or our affiliate as an offset to any conversion credit or via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Additional Training/Development/ Onsite Support	Currently $300[5] per day (minimum of three days) plus your transportation and living expenses	Ten days after support is completed	Paid to us or our affiliate. Fee is applicable to each day of additional training or onsite support that you require or we require you or your Salon Operators to attend. See Articles 4.1.4.5 and 4.1.4.6 of the Franchise Agreement.
Travel, Lodging and Meal Expenses	Actual costs and fees incurred by us in connection with your initial training sessions	Ten days after we deliver a bill to you reflecting the costs or expenses	Paid to us or our affiliate. See Article 4.1.4.11 of the Franchise Agreement.
Server Merge Fee	$750 per entity converted or acquired competitor's database	Within ten days after the merger is complete (may be prior to opening your Salon)	Applies to Conversion Salons and situations where a franchisee has purchased a competitor's database and requests that the database be converted. The fee is imposed by and collected by us or our affiliate as an offset to any conversion credit or via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf. See Article 5 of the Conversion Addendum.

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Advertising; National Marketing Fund	Currently, a minimum of 3.0% of Gross Revenue[2], including 2.0% contribution to the National Marketing Fund, commencing on the Opening Date; maximum required advertising spend of 5% unless Company and Franchise Salons vote to establish the National Marketing Fund contribution rate at an amount higher than 2%	Currently, expended throughout the year for advertising and promotions	With regard to local advertising expenses, paid by you to advertisers; with regard to National Marketing Fund and/or local advertising cooperatives to which franchise and company-owned Salons in the area are required to contribute, the fee may be paid by you to us or our affiliate. We have the right to require you provide proof of expenditures. See Article 9 of the Franchise Agreement.
E-mail Blast Services	Currently $50 per month per Salon	Monthly via draft settlement	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Relocation Costs	Actual Costs	When we consent to a relocation	You'll reimburse us for our costs that we incur in connection with an approved relocation of your Salon. See Article 1.5 of the Franchise Agreement.
Auditing Costs	Actual Costs	Reimbursement of our actual auditing costs	You'll reimburse us or our affiliate for our auditing costs if we have to audit you because you fail to provide us with required reports on a timely basis or if our audit discloses an understatement of 2% or more. See Article 11.3 of the Franchise Agreement.
Transfer Fee	$5,000	Concurrently with the transfer	Paid to us upon an approved transfer of the franchise. See Article 12.4.5 of the Franchise Agreement.
Successor Franchise Fee	$5,000	Concurrently with our granting a successor franchise to you	Paid to us upon approval of a successor franchise. See Article 13.1.4 of the Franchise Agreement.

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Costs and Attorney's Fees	Actual Costs	Reimburse-ment of our actual costs	The party that loses will reimburse accounting, attorneys', arbitrators' and related fees incurred by the party that wins where an action is brought for failing to pay us on time or failing to file reports and other information on time. See Article 17.9 of the Franchise Agreement and Article 20.10 of the Area Development Agreement.
Employee Recruitment Fee	$2,500 – Salon Director, Salon Director in Training or Training Salon Director; $5,000 District Manager or Trainer	Within five days after you recruit and hire one of our or our affiliate's employees	Paid by you to us or our affiliate if, with our written permission, you recruit and hire one of our employees or an employee of one of our affiliates. See Article 7.1.3 of the Franchise Agreement.
Printing and Shipping Expenses for Marketing Materials	Actual costs	Monthly via draft settlement	You'll reimburse us or our affiliate. Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Overdraft/ Services Charges	Our actual cost	On demand	If any check or draft (electronic or otherwise) is not honored by your bank, you must reimburse us for any service charges or other expenses we incur as a result of such payment.
Music Service	$29.75 per month per Salon	When billed	You must subscribe to our preferred in-store music provider and play the music at your Salon. Billed quarterly and deducted from the EFT drafts. Not required for conversion salons.
Software and License Support Fee	$1,500 license fee; currently $650 annual fee per Salon	When billed	You must pay our approved supplier. Collected by us or our affiliate as a pass-through expense via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Computer Set Up Fee	Currently $600 per Salon	When billed	You must pay our approved supplier. Collected by us or our affiliate as a pass-through expense via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Computer Monitoring and Help Desk Support	Currently $49 per month per device	When billed	You must pay our approved supplier. Collected by us or our affiliate as a pass-through expense via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Data Analysis Query Requests	$150 for up to two hours of work and $100 per hour for additional hours	When billed	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Central Contact Center Start-Up Fee	$400	Within ten days after the set-up is complete (may be prior to opening your Salon)	Imposed by and collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Client Services Fee	Inbound Call fees are currently $457 per month, per Salon for full service, $254 per month, per Salon for limited service or $127 per month, per Salon for IVR.	Monthly via draft settlement	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf. See Article 3.8 and Exhibit E of the Franchise Agreement.
Outbound Calls and Surveys	Fees are based on number of contacts and whether an agent is utilized, with a minimum charge of $150.	When billed	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf. See Article 3.8 and Exhibit E of the Franchise Agreement.
Digital Messaging Service (GLOW TV)	Currently $115 per device; Service fees: $20 month for first device per Salon; $5 per month for each additional device per Salon.	When billed	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Indemnification Costs	Varies according to loss	On demand	You must indemnify us when certain of your actions result in loss to us. (See Articles 9.7, 14.3, 14.4 and 16.4 of the Franchise Agreement).

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Enforcement Costs	Will vary	As incurred	You must pay our cost of enforcement if we are the prevailing party in an action to enforce your compliance with the Franchise Agreement (also applies to Area Development Agreement).
Marketing Rush Fee	$300	When billed	You must pay us a marketing rush fee when you request turnaround in less than ten (10) business days and $100 per hour to complete the requested deliverables. (See Article 3.8 of the Franchise Agreement). Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
IT Rush Fee	Varies – Equipment Modification $150; Price Change $250; Acquisitions (closing or Converting Salons) $750	When billed	You must pay us an IT rush fee when you request turnaround in less than our standard turnaround time. (See Article 3.8 and Exhibit E of the Franchise Agreement. Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
MyGlow Onboarding	Currently $25 per location setup. Monthly cost of $10-15 based on average employee count.	When billed	Collected by us or our affiliate via direct draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Applicant Tracking System (ATS)	Currently $20.00/month	When billed	Collected by us or our affiliate via direct draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
EFT Services	Our actual cost	Deducted from amounts subject to EFT	You must use us to provide electronic fund processing services to debit the accounts of your clients who have service agreements and to credit your account.
Credit Card Auto-Update	Currently $9.95/month plus $0.15 per updated card	When billed	Collected as initiated via ACH from your Salon's affiliated CC processing account.

TYPE OF FEE	AMOUNT[1,6]	DUE DATE	REMARKS[7]
Credit Card Encryption, (Credit Card Processing, P2P Encryption, EMV and Tap to Pay)[1]	Encrypted credit card reader required for each POS workstation at a current cost of $349.00 each plus $9.95/monthly terminal fee.	When billed	Collected as initiated via ACH from your Salon's affiliated CC processing account.
Software Application (Woven)	$75 per month, per Salon	Monthly via draft settlement	Collected by us or our affiliate via direct draft of your account as initiated by us or withheld from the EFT drafts that we collect on your behalf.
Ecommerce (STC App and Website)	$150 per month, per Salon	Monthly via draft settlement	Collected by us or our affiliate via debit draft of your account as initiated by us or withheld from EFT drafts that we collect on your behalf.

[1] All fees that are paid to us or our affiliate are non-refundable.

[2]As used in this Agreement, the term "Gross Revenue" means all revenue you derive from operating the Business, including, but not limited to, all amounts you receive for merchandise, goods, gift cards or services sold at or away from the Salon and, and whether from cash, check or credit transactions, but excluding all federal, state or municipal sales, use or service taxes (including any so-called "tanning taxes") collected from clients and paid to the appropriate taxing authority and excluding client refunds, amounts paid by clients as charitable fund raisers, adjustments, credits, and allowances actually made by the Business in compliance with "Methods of Operation" (defined in Article 4.5. of the Franchise Agreement).

[3]Interest begins from the date any payment is due.

[4]The royalty is determined based on a variety of factors, including whether the prospect is a new franchisee or a Conversion franchisee.

[5] This fee is an estimated minimum.

[6] All amounts are subject to change. Some charges may have additional sales tax added, where applicable or required.

[7] Unless otherwise noted, all fees are per Salon fees.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT (FRANCHISE AGREEMENT)

TYPE OF EXPENDITURE	AMOUNT[4]	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[1]	$0 - $30,000	Lump sum	When you sign the Franchise Agreement	Us
Leasehold Improvements	$450,000 - $800,000	As Arranged	As Incurred	Approved Suppliers
Exterior Signage	$8,500 - $13,000	As Arranged	As Incurred	Us, Our Affiliate, or Approved Suppliers*
Tanning and Spa Equipment	$450,000 - $700,000	As Arranged	As Incurred	Us, Our Affiliate, or Approved Suppliers*
Office Equipment, Furniture, Retail Service Counter and Display and Supplies, Interior Signage	$50,000 - $75,000	As Arranged	As Incurred	Us, Our Affiliate, or Approved Suppliers*
Initial Retail Inventory	$6,000 to $8,000	As Arranged	As Incurred	Us, Our Affiliate, or Approved Suppliers*
Start-Up Marketing	$10,000 - $13,000	As Arranged	As Incurred	Advertisers
Insurance	$2,000 - $6,000	Lump Sum payment of first year premium	Prior to commencing operations	Insurance companies
Lease Deposits	$5,000 -$10,000	Lump Sum	Prior to commencing operations	Landlord
Professional Fees	$500 - $5,000	Terms vary	As Incurred	Accountants, lawyers, etc.
Your Out-of-Pocket Expenses to Bring in Our Trainers/Field Support	$1,000 - $5,000	Terms vary	As Incurred	Airfare, ground, transportation, meals, lodging, etc.

TYPE OF EXPENDITURE	AMOUNT[4]	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Computers and Software	$7,000 - $10,000	As Arranged	As Incurred	Us, Our Affiliate, or our Approved Suppliers**
Utility Deposits	$1,500 - $5,000	Lump Sum	Prior to commencing operations	Utility Companies
High Speed Internet Access	$60 - $2,000	As Arranged	As Incurred	Internet Provider
Pre-Opening Training	$5,000 - $10,000	Terms Vary	As Incurred	Us, our Affiliate or Travel Vendors
Security System	$300 - $1,500	As Arranged	As Incurred	Vendor
Music System	$30 - $250	As Arranged	As Incurred	Collected by us and paid to Third party music provider on your behalf.
Digital Messaging System (Hardware)	$1,400 - $3,000	As Arranged	As Incurred	Vendor
License/Bonds	$500 - $1,000	Lump sum on application	Prior to commencing operations	Government agencies and bonding companies
Working Capital (Additional Funds over next 3 months)	$50,000 - $100,000	Terms vary	Amount varies over the next 3 months	Varies
Total[2]	$1,048,790 - $1,797,750	Does not include real estate costs [3]		

ESTIMATED INITIAL INVESTMENT:
DEVELOPMENT AGREEMENT FOR THREE (3) SUN TAN CITY® SALONS

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
Development Fee	$20,000[1]	Lump Sum	Upon execution of the Area Development Agreement	Us

Initial Investment to Open the First SUN TAN CITY® Salon	$1,048,790 - $1,797,750	See above chart contained in this Item 7.
TOTAL[1]	$1,068,790- $1,817,750	This is the total estimated initial investment to enter into an Area Development Agreement for the right to own and develop three SUN TAN CITY® Salons, as well as the cost to open and commence operating your initial SUN TAN CITY® Salon for the first three months. The Development Fee will be credited against the Initial Franchise Fee and the remainder of the Initial Franchise Fee would be due upon signing of the Franchise Agreement.

[1] When you sign an Area Development Agreement, you must pay us a $30,000 development fee for the first Salon, and an additional $10,000 for each additional Salon to be developed under the Area Development Agreement. If your Salon is opened under an Area Development Agreement, the allocable portion of the development fee is credited against the initial franchise fee for the Franchise Agreement for the number of Salons to be developed under the Area Development Agreement at the time that payment of the initial franchise fee is due for each Salon. For example, if you sign an Area Development Agreement to open three Salons, you will pay a nonrefundable development fee of $50,000 ($30,000 for the first Salon and $10,000 for each of the two additional Salons). The $30,000 fee for the first Salon is credited against its Initial Franchise Fee. When you sign the Franchise Agreement for the second Salon, you will pay the remaining $20,000 balance of its Initial Franchise Fee, unless state law requires otherwise.

[2] The expenses in this Item 7 are estimates of your initial investment in one newly constructed 17-bed **SUN TAN CITY®** Salon, not including real estate costs, prior to opening the franchise and for the first three (3) months after opening. We cannot guarantee that you will not have additional expenses starting the Business. Your costs will depend on how closely you follow our Methods of Operation, your management skills, experience and business acumen, local economic conditions, the acceptance by local consumers of our approved goods/services, prevailing wage rates, competition, etc. If you are converting an existing tanning facility, some of the above costs will not apply but you may incur costs to bring the property into conformity with the System. Such costs necessarily vary based on the physical condition and age of your facility, fixtures, equipment, furnishings, furniture, signage, and similar items already present at the facility. Requirements to bring an existing location into conformity will be outlined via a conversion project plan. We make no representation as to whether any of the estimated investment amounts are refundable. However, amounts payable to us are non-refundable. Amounts payable to a third party may or may not be refundable depending on your agreement with the third party.

[3] We've made no estimate regarding real estate acquisition costs. We do not require you to acquire real estate, other than your lease, to operate your **SUN TAN CITY®** Salon.

[4] Some amounts may have additional sales tax added, where applicable or required.

* You are not required to purchase the products or services in this category from us or our affiliates.

** You must purchase all computer hardware, software, and peripherals from us or one of our approved suppliers. The computer software and hardware we require you to use, in most cases, is not our proprietary property.

As used in this item, "As Arranged" means as agreed upon between you and the supplier or vendor, and "As Incurred" means as you incur the applicable expense.

Neither we nor any affiliate of ours generally offer any direct or indirect financing to you, guarantees any note, lease or obligation of yours or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours.

We relied upon our experience in opening Company Salons and in assisting franchisees in opening franchise locations in compiling the estimates in the chart above. You should review these figures carefully with a business advisor, accountant and attorney before making any decision to purchase a franchise.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Required Purchases from Us or Our Affiliates

While you generally have no obligation to purchase or lease any inventory or supplies from us or our affiliates, certain franchisees have determined that they would purchase both the initial inventory and selling supplies for their new Salons, along with inventory and selling supplies for their existing Salons, from one of our affiliates. In addition to these voluntary purchases, there are some exceptions where you are required to purchase from us or our affiliates, as follows:

EFT Services. You must use service agreements that allow you and us to electronically debit your clients' accounts for the monthly membership dues. You must use us or one of our affiliates to provide electronic fund processing ("EFT") services on your behalf. We will distribute the proceeds of the monthly EFT draft to you net of all royalties, fees and other amounts due to us, our affiliates and your suppliers (if you fail to pay your suppliers in a timely fashion).

Computer Equipment. You must purchase all computer hardware, software and peripherals from us or one of our approved suppliers. The computer software and hardware we require you to use, in most cases, is not our proprietary property.

Required Purchases from Approved Suppliers or in Accordance with Our Specifications

You must comply with our System and Standards for all supplies, materials, fixtures, furnishings, equipment and other products used in or offered for sale at the Salon. Currently, we require that you purchase the following from our approved suppliers: tanning, spa, health and wellness equipment, spray tan solutions, tanning lotions, tanning lamps, tanning acrylics, wall systems, ceramic tile, counter systems/shelving, in-salon music, POS computers and software, IT support, advertising and promotional materials, digital signage system and credit card processing integration.

We may from time to time develop proprietary private label equipment, systems and products that are an integral part of our System and Operating Standards, and you must comply with all our specifications and requirements relating to incorporating and using such equipment and products in the operation of the Business, as we may require (Franchise Agreement Article 2.5). This requirement currently includes an audio system in each location with a custom **SUN TAN CITY®** promotional loop and the Client web applications.

Approved suppliers and our Standards are generally included in our Manuals or in other communications shared with franchisees. If we have approved suppliers for any item, you must obtain the item from our approved suppliers. Approved suppliers and our Standards are determined based on the current needs for operating the Business. We evaluate approved suppliers based on price, service, quality, and other commercially reasonable factors and benchmarks. The identity of approved suppliers and these specifications are updated periodically in writing by modifying the appropriate pages of the Manuals. We will send you modified pages through the United States Mail or by any other commercially reasonable means. We reserve the right to limit the number of vendors and suppliers for products, goods, supplies, fixtures and equipment. We also reserve the right to designate a single source of supply for certain products and services. We or one of our affiliates may be that single source.

Our reason for these requirements is to ensure uniformity and consistent quality in all **SUN TAN CITY®** Salons for the benefit of the System and Salon operators. The items that you purchase from our approved suppliers may not be uniformly priced for our franchisees. Neither we nor our members, officers, managers, employees or directors own any interest in our approved suppliers aside from STC Consolidated Operations, LLC, STC Management Group, LLC and Woven Brands, LLC.

Supplier Approval Process

If we require that an item be purchased from an approved supplier, and you wish to purchase it from a supplier we have not approved, you must submit a written request to us for approval. Similarly, if we require you to use a particular item or brand of equipment, and you wish to substitute a different item or brand, you must request our approval in writing. Subject to our prior written approval, you may contract with alternative suppliers; however, you must not purchase or lease the item until and unless we have approved the item and/or supplier in writing. Nothing requires us to approve any particular supplier. We will provide you notice of approval or disapproval of your supplier request within 180 days of your initial request. Currently, we have not established fees or specific procedures to seek approval to purchase from an alternative supplier. We will judge the product or service of alternative suppliers on a case-by-case basis, based on, among other factors, quality and compatibility with our Operating System and Standards. We may revoke the approval of a supplier that fails to continue to meet standards that are at least as equivalent to the standards of our approved suppliers.

Purchasing Arrangements

We have negotiated certain purchase arrangements (including price terms) with suppliers for the purchase of certain items, such as services, construction materials, tanning equipment, spray tan solutions, tanning lotions, tanning lamps, audio and other supplies, equipment and inventory that are available to franchisees. We do so to promote the overall interests of the System and our interests as the franchisor. There currently are no purchasing or distribution cooperatives for the System.

The following table contains our estimates regarding the things we require you to purchase or lease from our approved vendors and suppliers relative to your total initial investment and annual operating expenses (not as a percentage of gross sales).

GOODS/SERVICES	PERCENTAGE OF REQUIRED PURCHASES TO TOTAL INITIAL INVESTMENT	ESTIMATED PERCENTAGE OF TOTAL ANNUAL OPERATING EXPENSES
EFT Services	<1%	1.5% to 3.0%
Computers and Software	1% to 2%	<1%
Tanning Equipment and spray tan solution (including tanning lamps and acrylics)	36% to 49%	4% to 8%
Other Equipment, Furniture, Supplies and Services (including wall systems, ceramic tile, counter systems/shelving, in-salon music, IT support, advertising and	16% to 26%	3% to 4%

promotional materials, digital signage system, and credit card processing integration)		
Inventory (tanning lotions)	1% to 2%	5% to 10%
Total	54% to 79%	14% to 25%

Revenues Received By Us or An Affiliate In Consideration of Your Purchases

Effective January 1, 2011, we purchased the **tanworld®** franchise system, which added 59 franchised units under our STC Franchising, LLC umbrella, most of which subsequently converted to the **SUN TAN CITY®** brand. The **tanworld®** franchise system operated under an economic structure under which franchisees paid a low royalty rate, supplemented by vendor rebates paid to the franchisor. With the purchase of the **tanworld®** system, STC Franchising, LLC agreed to honor the royalty rate and vendor rebate structure in place at **tanworld®**, for both existing units and future openings by current or former **tanworld®** franchisees operating within our system. In the fiscal year ended December 31, 2025, we received $483,390 in revenue from rebates, discounts and other similar payments from current or former **tanworld®** franchisees, which represented 7.3% of our total revenue for fiscal year 2025.

We have entered into an agreement under which our parent company, STC Consolidated Operations, LLC, earns a 4% product credit from a supplier for each $100,000 in lamp purchases by company-owned or franchised **SUN TAN CITY®** Salons. In the fiscal year ended December 31, 2025, STC Consolidated Operations, LLC received $6,522 in credits from this supplier.

We have negotiated an exclusive purchase arrangement with a supplier of tanning lotions and related products, under which company and franchise operators generally receive a discount of between 40% and 70% off the salon cost for tanning lotions and related products purchased from the supplier. In connection with this arrangement and in consideration for the supplier's right to produce private label products for the **SUN TAN CITY®** system, our parent company, STC Consolidated Operations, LLC, receives an annual credit equal to ten percent (10%) of systemwide lotion purchases for the previous year over the 5-year term of the agreement. In the fiscal year ended December 31, 2025, STC Consolidated Operations, LLC received $790,864 in earned credits from this supplier.

We will continue to receive rebates, discounts and other similar payments from our designated suppliers for purchases by franchisees.

In the fiscal year ended December 31, 2025, our franchisees spent $389,757 with our parent company, STC Consolidated Operations, LLC, for the purchase of supplies, fixtures, parts and equipment items. STC Franchising, LLC did not receive any revenue from these purchases. In the fiscal year ended December 31, 2025, our total revenue was $6,619,753.

We do not provide other material benefits to you, i.e. special renewal privilege or additional franchises, based on your use of our designated or approved sources.

We will terminate your franchise if you purchase services or goods that are (i) not according to our Standards and specifications; (ii) have not been approved by us; or (iii) not from our approved suppliers.

ITEM 9

FRANCHISEE'S OBLIGATIONS

The following table lists your principal obligations under the Franchise Agreement. It will help you find more detailed information about your obligations in the agreement and in other items of this disclosure document.

OBLIGATION	ARTICLE NUMBER IN FRANCHISE AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	2.1 and 2.2	7 and 11
b. Pre-opening purchases/leases	2.3, 2.4, 2.5 and 3.6	7 and 11
c. Site development and other pre-opening requirements	2.3, 2.6 and 2.8	6, 7 and 11
d. Initial and ongoing training	4	11
e. Opening	2.6, 2.7, and 2.8	11
f. Fees	1.5, 2.3, 2.8, 3.1, 3.2, 3.4, 3.5, 3.6, 3.7, 3.8, 4.1.4.5, 4.1.4.6, 4.1.4.9, 4.1.4.10, 4.1.4.11, 4.2, 4.4.8, 4.5, 7.1.3, 8.1.18, 8.13, 9.1, 9.4, 9.5.2, 11.3, 12.4.5, 13.1.4, 17.9 and Conversion Addendum	5 and 6
g. Compliance with standards and policies/Operations Manual	2.3, 2.5, 4.1.4.8, 4.3, 4.5, and 8	11
h. Trademarks and proprietary information	1.1, 1.7, 4.5, 5, 6 and 8	13 and 14
i. Restrictions on products/services offered	2.4, 2.5, 3.6, 4.5 and 8	16
j. Warranty and customer service requirements	8.1.18	11
k. Territorial development and sales quotas	Not Applicable	12
l. Ongoing product/service purchases	2.5, 3.6 and 8.9	8
m. Maintenance, appearance and remodeling requirements	2.3, 2.5, 8.1, 8.5 and 8.8	11
n. Insurance	2.6.5, 8.1.15 and 8.12	7 and 8

OBLIGATION	ARTICLE NUMBER IN FRANCHISE AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
o. Advertising	2.8, 5.2 and 9	6 and 11
p. Indemnifications	9.7, 14.3, 14.4 and 16.4	6
q. Owner's participation / management / staffing	1.4, 1.6, 4.1, 4.2 and 8.11	11 and 15
r. Records and reports	3.2, 8.1.14, 9.5.4 and 10	6
s. Inspections and audits	2.3, 3.7, 4.3, 8.13, 9.2 and 11	6 and 11
t. Transfer	12	17
u. Renewal	13.2	17
v. Post-termination obligations	15 and 16.4	17
w. Non-competition covenants	6.2, 7.1 and 15.5	17
x. Dispute resolution	17.12, 17.13, 17.14, 17.15 and 17.17	17
y. Cyber-Event/Identity Theft	8.6	11

The following table lists your principal obligations under the Area Development Agreement. It will help you find more detailed information about your obligations in the agreement and in other items of this disclosure document.

OBLIGATION	ARTICLE NUMBER IN AREA DEVELOPMENT AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
z. Site selection and acquisition/lease	1 and 2	7 and 11
aa. Pre-opening purchases/leases	Not Applicable.	Not Applicable.
bb. Site development and other pre-opening requirements	2	6, 7 and 11
cc. Initial and ongoing training	4	Not Applicable.
dd. Opening	2	12
ee. Fees	6 and 8	5 and 6
ff. Compliance with standards and policies/Operations Manual	Not Applicable.	Not Applicable.
gg. Trademarks and proprietary information	5	Not Applicable.

OBLIGATION	ARTICLE NUMBER IN AREA DEVELOPMENT AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
hh. Restrictions on products/services offered	Not Applicable.	Not Applicable.
ii. Warranty and customer service requirements	Not Applicable.	Not Applicable.
jj. Territorial development and sales quotas	1 and 2	12
kk. Ongoing product/service purchases	Not Applicable.	Not Applicable.
ll. Maintenance, appearance and remodeling requirements	Not Applicable.	Not Applicable.
mm. Insurance	Not Applicable.	Not Applicable.
nn. Advertising	Not Applicable.	Not Applicable.
oo. Indemnifications	Not Applicable.	Not Applicable.
pp. Owner's participation / management / staffing	9	11 and 15
qq. Records/reports	Not Applicable.	Not Applicable.
rr. Inspections/audits	Not Applicable.	Not Applicable.
ss. Transfer	16 and 17	17
tt. Renewal	Not Applicable.	Not Applicable.
uu. Post-termination obligations	14.2	17
vv. Non-competition covenants	14	17
ww. Dispute resolution	20, 21 and 22	17

ITEM 10

FINANCING

Neither we nor any affiliate of ours generally offer any direct or indirect financing to you, guarantees any note, lease or obligation of yours or has any practice or intent to sell, assign or discount to a third party all or any part of any financing arrangement of yours.

ITEM 11

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

Franchisor Assistance

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

Pre-Opening Obligations

Our obligations prior to commencing operation of your **SUN TAN CITY®** franchise include (with cites to relevant Articles of the Franchise Agreement):

1. Granting you a franchise to operate a **SUN TAN CITY®** Salon within an area at the time you sign the Franchise Agreement (Article 1.5);

2. Approving your choice of a proposed location (Article 2.1); you will not pay the initial franchise fee, and a franchise agreement will not be entered into between you and us unless and until a proposed location is approved. Our concerns regarding your choice of a location for your **SUN TAN CITY®** franchise include general location and neighborhood, demographics, zoning, traffic patterns, parking, overall interior and exterior size, and lease terms. Generally, we do not own the premises you will lease and there is no time limit for us to approve a location;

3. Receiving a copy of the lease for your Salon (Article 2.2);

4. Providing you with specifications and preliminary layouts for your **SUN TAN CITY®** Salon (Article 2.3);

5. Providing you with forty (40) working hours of on-site, in-salon training in your initial **SUN TAN CITY®** Salon when you open the Salon, some of which may occur after the Salon opens for business (Article 4.1.2);

6. Providing one of your supervisors for your initial **SUN TAN CITY®** Salon training at one of our Company training Salons (Article 4.1.3);

7. Providing you with development consultation and guidance before you convert or open your first franchise Salon (Article 4.1.2);

8. Providing you standards, specifications and operating procedures and methods utilized by the Business (Article 8);

9. Providing you with guidance about the fixtures, furnishings, equipment, signs, products, materials and supplies you must buy (Article 2.5); and

10. Providing you with guidance concerning a grand opening advertising and promotional program (Article 4.3.3).

For a new tanning salon location, we estimate the length of time between the signing of the Franchise Agreement or the first payment of consideration for the **SUN TAN CITY®** franchise and the commencement of operations of a **SUN TAN CITY®** Salon is one hundred eighty (180) days. Things that may affect the time period include your ability to obtain a lease, financing, building permits, compliance with zoning and other local ordinances, weather conditions, shortages and delayed purchases or installations of equipment, fixtures or signs. You must commence operating the franchise within (i) ninety (90) days after signing a lease for the Salon location or (ii) ten (10) days after completion of construction at such location, whichever is later. If, in our judgment, you unreasonably delay opening your Salon or do not diligently pursue your obligations under your Franchise Agreement, we may terminate your Franchise Agreement.

Post-Opening Obligations

Our obligations during the operation of your **SUN TAN CITY®** franchise include (with cites to relevant Articles of the Franchise Agreement):

1. Periodically providing you with maximum and minimum prices that you may charge for products and services offered by the Business (Article 8.2); and

2. Providing you with ongoing marketing programs (Article 2.8; Article 4.4.4).

Our representative will spend up to forty (40) hours, in no more than one visit, at you or your affiliates' first Salon to assist you with the opening of you or your affiliates' first Salon (Article 4.1.2).

Optional Assistance

The additional guidance we may provide to you during the operation of your **SUN TAN CITY®** franchise includes (with cites to relevant Articles of the Franchise Agreement):

1. Providing you with a telephone consultation during the times as are outlined in the Manuals (Article 4.4.1);

2. Providing you with buying advisory services where we may provide you with lists of sources and approved suppliers for our products, merchandise, accessories, services, fixtures, furnishings, equipment, signs, etc. (Article 4.4.2);

3. Providing you with wholesaling services where we may ourselves act as an approved or designated source for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc. (Article 4.4.3);

4. Providing you with newsletter services where we may inform you periodically about the current events in the **SUN TAN CITY®** franchise program (Article 4.4.5);

5. Providing you with meetings, where we may meet with you and other **SUN TAN CITY®** franchisees for business or social purposes (Article 4.4.6);

6. Providing you with research and development regarding Methods of Operation (Article 4.4.7);

7. Allowing you to use our Manuals and instructing you in "Methods of Operation" (Article 4.5). You may view our Manuals at a mutually agreed upon time and location before purchasing the franchise; provided that you sign a confidentiality agreement, attached as Exhibit "H", in which you agree that you will not disclose any information that we provide to you;

8. Providing you with general guidance concerning the Business (Article 4.3);

9. Providing you with general guidance regarding employee training (Article 4.3.4); and/or

10. Providing you with general guidance regarding use of authorized software (Article 4.3.5).

At your request, we may furnish additional guidance and assistance and, in such a situation, may charge our then-current per day fees and charges. If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with the training, including per day charges and travel and living expenses for our personnel, will be your responsibility (Article 4.4.8).

We have the right under the Franchise Agreement to periodically require you to remodel your Salon to remain consistent with our then-current system-wide Salon design standards (Article 8.4). This is in addition to your obligation to maintain your Salon in good repair. You will not be required to remodel your Salon within five years of either: (i) your initial opening for business; or (ii) the completion of a remodeling required under the Franchise Agreement. We will decide the scope of remodeling that is required and you will need to submit plans to us for review and approval before commencing the remodeling. You will be required to use an approved architect for any remodeling and you will have a period of 180 days to complete the remodeling after we approve your final plans.

Advertising and Marketing

You agree to spend annually for advertising and promotion of the Business not less than three percent (3.0%) of your Gross Revenue ("Minimum Advertising Expenditure") (Article 9.1). You may only use advertising material that is approved by us in our sole discretion. We produce most advertising materials used by our franchisees, but you will be allowed to prepare and use your own advertising materials if they are approved by us before use.

Effective March 1, 2014, we established a system-wide advertising and marketing fund to which all franchise and Company Salons must contribute ("National Marketing Fund") (Article 9.4). The amount of the National Marketing Fund contribution may be established by us in an amount not to exceed 2% of your Gross Revenue, unless a majority of Company and franchise Salons vote to establish a higher contribution rate. On March 1, 2014, the National Marketing Fund contribution rate was established at 0.5% of Gross Revenue, payable by all Company and franchise Salons and was increased to 1.0% on January 1, 2017, to 1.5% on January 1, 2019, and to 2.0% on February 1, 2024. Your National Marketing Fund contribution is part of the 3.0% Minimum Advertising Expenditure that is required under the Agreement. The National Marketing Fund is controlled by us, and while the focus of the fund will generally be on initiatives that have a system-wide benefit, we may use a combination of local, regional and national programs which we believe are in the best interest of the system. We will create ads and may hire outside ad agencies for the same purpose. No advertising cooperatives or franchisee councils are involved in administering the National Marketing Fund. The National Marketing Fund will not use ad fees collected to solicit the sale of **SUN TAN CITY®** franchises. The National Marketing Fund will produce annual financial statements which will show the amounts spent on

production, media placement, administrative and other expenses by the fund, and will be available for review by you and all Salons contributing to the fund. Any National Marketing Fund contributions not spent in the year in which they accrue will be carried over for expenditures in the next year.

During our most recent fiscal year ending December 31, 2025, the contributions to the National Marketing Fund were used as follows: (i) Digital Advertising, which includes social media, video placement and Google ads, 83%; (ii) Email/SMS/CRM Advertising, 13%; and (iii) in-Salon Advertising, 4%.

We also reserve the right to require the establishment of local advertising cooperatives to which franchise and Company Salons in the area will be required to contribute at the same rate (Article 9.5). Your Local Advertising Cooperative Contribution (as defined in Article 9.5.2), if any, may be counted towards your 3.0% Minimum Advertising Expenditure that is required under the Franchise Agreement. The Local Advertising Cooperative will be responsible for administering the cooperative and each Salon contributing to the fund will have one vote on co-op matters. The Local Advertising Cooperatives will operate under written governing documents adopted at the time the co-op is established, and those documents will be available for review by you and all Salons contributing to the fund. The Local Advertising Cooperatives will be required to prepare annual or periodic financial statements, available for review by members of the co-op.

Franchise Advisory Council

We established a Franchise Advisory Council ("FAC") in 2013, comprised of franchisees and at least one corporate representative. The purpose of the FAC is to facilitate open lines of communication between franchisees and STC. Franchise members of the FAC are elected or appointed annually, on a staggered schedule, to serve a two-year term. Only franchisees in good standing may serve on the FAC, and FAC members must adhere to such requirements of participation as we may establish from time to time. The Bylaws governing the FAC may be amended from time to time by us after prior notice to and consultation with the FAC. We have the power to form, change, or dissolve the FAC.

Computer and Point of Sale Systems; Online App

We require you to use approved point of sale ("POS") software in the operation of your **SUN TAN CITY®** Salon. You will use this system to generate receipts for client purchases, track your sales at the franchise, and maintain information required for accounting records. The current cost of purchasing the cash register/point of sale system license for your Salon is $1,500, and the annual support fee for support and maintenance of the cash register/point of sale system is currently $650.

We also require you to use a standard, approved computer and networking hardware with designated software and peripherals. You will be required to have a minimum of two computer workstations at the counter, printer, firewall, P2PE credit card terminals, GlowTV, and IoT router as well as any additional items we may require at the time of your opening. The current hardware and software cost for the approved system is approximately $7,000 - $10,000 and is subject to change as hardware and software costs change. You will pay a one-time set-up charge to install the point-of-sale system software and configure the system for daily operation. The current set-up charge is $600.

We also require you to process credit cards through our designated gateway, with our approved processor and use P2PE credit card reader devices. The current cost for the service is $9.95/month per

credit card terminal. Each POS workstation requires a P2PE credit card reader, which is currently $349.00 per device.

To encourage a seamless client experience, we require all salons to utilize the enhanced **SUN TAN CITY®** app on iOS and Android. All salons must allow their location to appear online and their clients the ability to check-in, purchase, and/or create their accounts with our app as well as utilize our referral and rewards programs. The cost for app use is $150 per location, per month.

You will use a standard, approved computer to communicate with our infrastructure, through the Internet, as well as to create correspondence and records related to the franchise. It will be your responsibility to obtain access to a secure and reliable, high-speed Internet Service Provider ("ISP") to ensure you can communicate with our infrastructure. You must work through the **SUN TAN CITY®** Help Desk for all preselected and approved information technology suppliers for hardware, software, and support. The **SUN TAN CITY®** Help Desk will contact approved suppliers on your behalf for any hardware orders as well as service and maintenance of your technological systems, computer software and peripheral equipment. Our approved suppliers have their own policies for service and maintenance as well as hardware and software upgrades and repair work is dependent on their terms and contracts. You agree to maintain at your own expense a computer system that conforms to the policies, requirements and formats we require, including updating all internet communication links, computer software and hardware as required by us from time to time. There are no contractual limitations on the frequency or cost of such hardware, software and internet communication upgrades required to conform to our policies and System Standards. We will generally not require you to make such upgrades when the investment cannot, in our reasonable judgment, be amortized during the remaining term of the Franchise Agreement. We have the right, as often as we deem appropriate, including on a daily basis, to access your technological systems that you are required to maintain in connection with the operation of the **SUN TAN CITY®** franchise and to retrieve all information and materials contained in such systems, including, without limitation, information relating to the **SUN TAN CITY®** franchise's operations (Article 10.1.2; Article 10.2).

You are required to use your commercially reasonable efforts to protect your clients against a cyber-event, identity theft or theft of personal information, and to carry cyber liability insurance to insure such risks. You must at all times comply with the Payment Card Industry Data Security Standards ("PCI Compliant") (Article 8.6) and other applicable data privacy and data security rules, regulations, policies and guidelines. In the event of any cyber-event, identity theft, or theft of personal information of a client due to any security breach by you, your agents, or your employees, regardless of whether you were PCI Compliant, you will be required to pay us up to a maximum of $200 per record (or such higher amount as we specify from time to time), to offset our out-of-pocket costs and expenses relating to any such cyber-event or security breach (including our costs incurred in responding to and notifying clients).

In 2021, we redesigned our consumer website to include our proprietary online web application, and we updated our website and our mobile app in early 2025. In addition to mobile apps, www.suntancity.com is accessible to both existing and potential new clients. Through the consumer website and applications, clients are able to manage their account, sign up for memberships, purchase new services, check on Salon wait times and put themselves in line for tanning and spa sessions. You are required to participate in the application and services offered under suntancity.com as part of our Methods of Operations (Article 8).

Training

Our current training program consists of the following:

Franchisee Training

We give a mandatory franchisee training program (the "Franchisee Training Program") generally completed at one or more Company Salons. The Franchisee Training Program is required to be completed to our satisfaction by your day-to-day operator, and available to your other employees. There is no cost for you or your employees to participate in the Franchisee Training Program, other than your travel related expenses and employee compensation (for the trainee).

Our training is completed by our Certified Training Salon Directors. The Learning and Development Department oversees and coordinates training for all of our franchisees along with the Franchise Support Department. The individuals within our Learning and Development Department have previously managed a Company salon and contain working knowledge of all programs and policies that are in place within the Company. These team members have a minimum of ten years of experience in the subject matter they teach.

TRAINING PROGRAM

Subject	On-The-Job Training	Location
Tanning Consultant Training	Approx. 20 hours	Company Training Salon
Salon Director Training	2 weeks	Company Training Salon
District Manager Training	2 weeks	Company Training Salon

The training is held on an as-needed basis for both franchisees and employees/managers of Company Salons. The location of the training is at one or more Company Salons in the field. We do not maintain physically separate training facilities for other businesses operated by our affiliates.

The nature of the instructional material is procedural and policy-based training which are customized for each specific role. The training process and training materials are subject to change in our sole discretion.

New Salon Opening and Training

In addition to the training noted above, we will administer at no cost to you a forty (40) hour grand opening training program at you or your affiliates' first Salon. This training will include new salon set up and organization, and Salon Director support and training.

First Role Certification

We will train and certify all first roles within a franchise group, which must include a Salon Director, a District Manager, Training Salon Director and Trainer to the extent such roles exist at the franchise group (collectively, the "Salon Operators"). You must have at least one trained Salon Operator. All training will be performed at Company Training Salons in the field at no cost to you other than your travel related expenses and employee compensation (for the trainee). Once each role is established, trained and certified you will perform training and certification for the established roles for all of your and your affiliates' additional Salons that you may open under one or more Franchise Agreements with us.

Notes:

1. Our training methods and materials are subject to change.
2. All training programs are mandatory for at least one Salon Operator. If a Salon Operator does not satisfactorily complete the training requirements and programs, they must do so within 60 days after notification from us.
3. If the Salon Director is replaced at any time (or you or your affiliates open additional Salons), you must train the new Salon Director using a certified Training Salon Director. If you do not have a certified Training Salon Director in your franchise organization, then the new Salon Director must receive training at a Sun Tan City location operated outside the franchise group. This training will be provided at no cost to you, but travel related expenses and employee compensation (for the trainee) are your responsibility.
4. If the managing owner or Supervisor at any time vacates their position, then a new managing owner or Supervisor must be designated within 90 days. The new managing owner or Supervisor must complete the training program within 120 days of the vacancy. The cost of additional training is currently $300 per day (minimum of three days) plus your travel related expenses and employee compensation (for the trainee).
5. We have the right to charge a reasonable fee for any training we provide above and beyond initial certification of roles and for the training related to one or more additional Salons that you or your affiliates open under one or more Franchise Agreements with us. The cost of additional training is currently $300 per day (minimum of three days), plus your travel related expenses and employee compensation (for the trainee).
6. We may require you and your Salon Operators to attend additional training. We have the right to charge an additional fee for any additional training. The cost of additional training is currently $300 per day (minimum of three days), plus your travel related expenses and employee compensation (for the trainee).
7. You are responsible for all expenses that you and your employees incur for all training programs, including the cost of travel, transportation, lodging, meals, and wages.
8. You are obligated to utilize all current training programs for all employees of your franchise.
9. Other than the grand opening of your first Salon, which we will conduct at no cost to you, any onsite training done by us will be at your cost. These costs include travel, lodging, meals, and training fees. This includes any new Salon opening training support that you request beyond the opening of your first Salon.
10. You may request additional training. If possible, we will accommodate any additional training requested. All additional training is at your cost and includes travel, lodging, meals, and training fees. The cost of additional training is currently $300 per day (minimum of three days) plus your travel related expenses and employee compensation (for the trainee).
11. Our training materials are proprietary and will only be provided to you or your employee at the time of First Role Certification.

No additional training programs are required other than those described in Item 11.

ITEM 12

TERRITORY

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

Franchise Agreement

By the terms of the Franchise Agreement, we will grant you rights to operate a single **SUN TAN CITY®** Salon at a Salon whereby, except in the limited circumstances outlined below, we will not locate another franchise, nor ourselves directly or indirectly own or operate, another **SUN TAN CITY®** Salon within a two (2) mile radius of the Salon (the "Area"). If you sign an Area Development Agreement, the Development Area will correspond to the Development Area as described in the Area Development Agreement.

We have the right to establish **SUN TAN CITY®** Salons anywhere outside your Area. We also have the right to sell our related products, whether or not using the Marks, through distribution channels other than **SUN TAN CITY®** Salons, including through catalogs distributed within your Area or Development Area, or through other channels including our web site. We will not owe you any compensation for any such product orders accepted from clients located inside your Area or Development Area.

If you sign an Area Development Agreement and we or our affiliate acquire another business with a franchisee or licensee in the Development Area, you will be required to waive your rights with regard to the Area and Development Area with regard to such franchisee or licensee. In addition, in the event that you sign an Area Development Agreement and we or an affiliate enter into an agreement to purchase another tanning salon within the Area or Development Area, then you will have the right to purchase such tanning salon for a period of thirty (30) days from the date that we or our affiliate provide you notice of such transaction. If you do not exercise your right to purchase such tanning salon then we or our affiliate are able to purchase such tanning salon and operate within your Area or Development Area.

You must operate the **SUN TAN CITY®** Salon only at the site identified in your Franchise Agreement. You cannot relocate your Salon without our consent. If you lose possession of the site through no fault of your own, you may apply to us for our approval to relocate your Salon to another site. If we consent, which consent is in our sole and absolute discretion, you must comply with our reasonable site selection and construction procedures. Our consent to any relocation will be based on various factors, including the proposed site's demographic characteristics, traffic patterns and parking, competition from other businesses in the area and other relevant factors.

The franchise is only for a **SUN TAN CITY®** Salon at the site identified in your Franchise Agreement and does not give you any rights to operate or offer and sell any of the products or services described in the Franchise Agreement at or from any other location or distribution channel. We and our affiliates can operate and can grant franchises to others to operate **SUN TAN CITY®** Salons under the Marks (or under other trade names, service marks and trademarks) at any location other than your Salon and outside the Area or Development Area. These outlets may compete with your **SUN TAN CITY®** Salon. Among other things, this means that we and our affiliates may:

1. Grant other licenses for use of the System and the Marks;

2. Develop and establish other business systems using the Marks, or other names or Marks and to grant licenses to use those systems without providing any rights to you;

3. Advertise and promote the System without restriction;

4. Operate, and license others to operate, retail tanning salons under the Marks, or under other names or marks, at any location other than the Area or Development Area; and

5. Engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, operation, license and sale of tanning products and services under the Marks, or under other marks through any method of distribution, including, Internet, catalog sales, telemarketing or other direct marketing and other tanning facilities regardless of the proximity to, or the competitive impact on your **SUN TAN CITY**® Salon, without compensation to you.

Area Development Agreement

If we enter into an Area Development Agreement with you, we will grant you a Development Area under the Area Development Agreement based on various market and economic factors like market demographics, the penetration of **SUN TAN CITY**® Salons and similar businesses in the market, the availability of appropriate sites and growth trends in the market. The Development Area may be all or a portion of a city, a single or multi-county area or some other area and will be described in the Area Development Agreement.

You must develop Salons in the Development Area under the Development Schedule in the Area Development Agreement. You and we agree to the Development Schedule before signing the Area Development Agreement.

Except as provided below, if you comply with the Area Development Agreement and any other agreements that you or your affiliates have with us or our affiliates, then we and our affiliates will not establish, or authorize anyone except you to establish **SUN TAN CITY**® Salons in the Development Area during the term of the Area Development Agreement. We retain all other rights. Among other things, this means that we can conduct activities in the Development Area like those described above in relation to the Area under the Franchise Agreement without compensating you.

In the event that you sign an Area Development Agreement and we or our affiliate acquire another business with a franchisee or licensee in the Development Area, you will be required to waive your rights with regard to the Area and Development Area with regard to such franchisee or licensee. In addition, in the event that you sign an Area Development Agreement and we or an affiliate enter into an agreement to purchase another tanning salon within the Area or Development Area, you will have the right to purchase such tanning salon for a period of thirty (30) days from the date that we or our affiliate provide you notice of such transaction. If you do not exercise your right to purchase such tanning salon then we or our affiliate are able to purchase such tanning salon and operate within your Area or Development Area.

If you fail to comply with the Development Schedule, or otherwise materially default under the Area Development Agreement beyond any applicable cure period, then we may (in addition to other remedies) terminate or modify your territorial rights, reduce the area of the Development Area or reduce the number of Salons that you may establish.

Your rights in and to your Development Area are not dependent upon your meeting a minimum sales quota. The configuration of your Development Area will not change except by mutual agreement of you and us. Absent an Area Development Agreement, you will not have any rights to a specific area or to additional areas.

Businesses Offering Similar Products or Services

Neither we nor our affiliates have any plans to sell franchises under a different trademark within the current or next fiscal year, except potentially under a concept we are evolving in the health and wellness space under the trademark Wellness City™. In the event we or our affiliate launches the Wellness City™ concept, it is our current intention to offer franchise or other rights to offer services and products under this trademark to both existing **SUN TAN CITY®** franchisees and new franchisees. We no longer offer or sell **tanworld®** franchises and there are no longer any **tanworld®** salons in operation.

Our affiliates currently operate 47 franchised **PLANET FITNESS®** clubs in Kentucky, Indiana, and Tennessee and have the rights to develop additional franchised **PLANET FITNESS®** clubs in certain markets located in these states. **PLANET FITNESS®** clubs primarily offer fitness training facilities and services, including exercise machines and free weights, but also offer tanning, red light, and related services. Neither we nor our affiliates have any ownership or management relationship with the **PLANET FITNESS®** franchisor, Planet Fitness Franchising, LLC, and with the exception of Clarksville, Tennessee and Hopkinsville, Kentucky, we do not have **PLANET FITNESS®** development rights in markets where **SUN TAN CITY®** franchisees operate or have the right to develop. It is our general policy not to offer the sale of **SUN TAN CITY®** franchises within markets in which our affiliates operate or have the right to develop **PLANET FITNESS®** clubs, and not to solicit or accept orders for products or services within such markets, but we reserve the right to do so in the future. The principal business address of our affiliates' **PLANET FITNESS®** operations is 445 E. Market Street, Suite 310, Louisville, Kentucky 40202.

If a conflict arises between our franchisees regarding territory, clients or support of competitive businesses that are in the same area as **SUN TAN CITY®** Salons, our appropriate officers and the appropriate officers of our affiliates will meet and resolve the conflict under internal procedures that we will establish as necessary.

ITEM 13

TRADEMARKS

The **SUN TAN CITY®** trademark is the principal trademark you will use under license from us through the Franchise Agreement, but we have used and registered other trademarks and will continue to do so from time to time. The trademarks you will use under license from us are referred to in this document as the "Marks". The Marks listed below are referred to in this document as the "Primary Marks". We have certain legal rights with respect to the **SUN TAN CITY®** trademark and other Marks for which we have obtained a Principal Register federal registration with the United States Patent and Trademark Office ("PTO").

Our Primary Marks are:

TRADEMARK	REGISTRATION/ APPLICATION NUMBER	DATE OF REGISTRATION/ APPLICATION	REGISTER
SUN TAN CITY (word mark)	Registration Number 3,642,508	Registered June 23, 2009 Renewed in 2019	Principal
LET YOURSELF SHINE (word mark)	Registration Number 3,580,468	Registered February 24, 2009 Renewed in 2019	Principal

SUN TAN CITY (design mark)	Registration Number 3,650,018	Registered July 7, 2009 Renewed in 2019	Principal
SUN TAN CITY LET YOURSELF SHINE (word mark)	Registration Number 3,650,021	Registered July 7, 2009 Renewed in 2019	Principal

The Primary Marks are registered by our affiliate Sun Tan City, LLC with the PTO. Our affiliate has filed all affidavits required to maintain our registrations of the Primary Marks. There are currently no effective adverse determinations of the PTO, Trademark Trial and Appeal Board, or any state trademark administrator or court that materially affect our rights to the Primary Marks. There are no pending infringement claims or opposition or cancellation actions concerning the Primary Marks. There is no pending material litigation involving the Primary Marks.

Except as stated in this Item 13, there are no agreements currently in effect that significantly limit our rights to use or license the use of the Primary Marks in a manner significant to the **SUN TAN CITY®** franchise. Other than a limited number of markets where a third party may assert prior use of the Sun Tan City or similar name, we have no actual knowledge of greater prior rights or infringing uses that could significantly affect your use of the Primary Marks in the state where your **SUN TAN CITY®** franchise may be located.

You must follow our operating procedures when you use the Marks. You may not use any Mark as part of your corporate name. You must follow our instructions for identifying yourself as a franchisee and for filing and maintaining the required trade name or fictitious name registrations. You must sign any documents that we or our counsel determine are necessary to obtain protection for the Marks or to maintain their continued validity and enforceability. Neither you nor your owners or affiliates may take any action that would prejudice or interfere with the validity of our or our affiliate's rights with respect to the Marks and may not contest the validity of our or our affiliate's interest in the Marks or assist others to do so. You may not use the Marks in the event you wish to advertise the sale of your franchise. You will be required to stop using the Marks if we ask you to, for any reason. See Article 5.4 of the Franchise Agreement for details on the limited costs that we will reimburse in the event of such a request.

Our rights to the Marks come from a non-exclusive perpetual license between us and our affiliate Sun Tan City, LLC (the "Intercompany License"). In the Intercompany License, our affiliate grants us the right to use the Marks for the purpose of sub-licensing such Marks to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany License can be terminated only for material breach of the Intercompany License and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect that significantly limit our rights to use or license the use of the Marks in any manner significant to you.

Our rights to the System and know-how come from a non-exclusive perpetual license between us and our parent company, STC Consolidated Operations, LLC (the "Intercompany Agreement"). In the Intercompany Agreement, our affiliate grants us the right to use the know-how for the purpose of sub-licensing the System to our franchisees and fulfilling our obligations under the Franchise Agreement. The Intercompany Agreement can be terminated only for material breach of the Intercompany Agreement and only if we do not cure or begin to cure the breach within 90 days after notice. We know of no other agreements currently in effect that significantly limit our rights to use or license the use of the System in any manner material to you.

You must immediately notify us of any infringement of the Marks or of any challenge to the use of any of the Marks or claim by any person of any rights in any of the Marks. You and your Controlling Principals must agree not to communicate with any person other than us, any designated affiliate and our or their counsel about any such infringement, challenge or claim. We or our affiliate have sole discretion to take any action that we feel is appropriate and the right to exclusively control any litigation or PTO (or other) proceeding, resulting from any claim of infringement or any challenge or claim concerning any of the Marks. You must sign all instruments and documents and give us any assistance that, in our counsel's opinion, may be necessary or advisable to protect and maintain our interests or those of our affiliate in such litigation or proceeding or to otherwise protect and maintain our or their interest in the Marks. We agree to indemnify you against, and to reimburse you for, all damages for which you are held liable in any proceeding arising out of your authorized use of any Mark in accordance with the Franchise Agreement and, except as provided in the Franchise Agreement, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your owners and affiliates are in compliance with the Franchise Agreement and all other agreements entered into with us or any of our affiliates. We are entitled to prosecute, defend and/or settle any proceeding resulting from your use of any Mark under the Franchise Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

We have the right to substitute different trade names, service marks, trademarks and indications of origin for the Marks if the Marks can no longer be used or if we determine, in our sole discretion, that the substitution will be beneficial to the System. If we do, we may require you to stop using or modify your use of any Mark or use one or more additional or substitute Marks at your expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We claim copyright protection and proprietary rights in the original materials used in the System, including our Manuals, software bulletins, newsletters, training, advertising and promotional materials (the "Materials"). Except for your use of the proprietary information contained in our Materials, as permitted under the Franchise Agreement, you do not receive the right to use any item covered by a patent, copyright or any other proprietary right. The Manuals and the specifics on your use of the Manuals are described in Article 4.5 of the Franchise Agreement. Although we have not filed an application for copyright registration, we claim copyright protection for the Materials we provide you for your use or for public dissemination. The Materials also include proprietary information and publications that we own or have acquired under license from a third party and everything concerning our Methods of Operation. We have no actual knowledge of any infringements that could materially affect the ownership, use or licensing of the Materials. We have no duty to defend or indemnify you against any copyright related claims arising from your use of the Materials or any other written material we provide to you. We or our affiliate have sole discretion to take any action that we deem appropriate and the right to exclusively control any litigation or other proceeding, arising out of any alleged infringement, challenge or claim concerning any of the Materials. We may modify or discontinue the use of , or require you to modify or discontinue the use of, the Materials, and you are not provided any rights (including to any compensation) under the Franchise Agreement in the event of any such modification or discontinuance of use.

You and we will jointly own all right, title and interest in and to all client lists and client information regarding all past and present clients of the Salon (the "Client Information"). However, if the Franchise Agreement is terminated following a default by you, your rights in the Client Information will automatically terminate and you must deliver all Client Information in your possession to us, and we will be the sole owner of all Client Information. For Conversion Salons, Client Information includes information regarding clients of your business prior to and after the conversion to a **SUN TAN CITY®** Salon. We may use Client Information in perpetuity for any purpose whatsoever without compensation to you.

If you, your employees or your owners develop any new concept, process or improvements relating to **SUN TAN CITY®** you must promptly notify us, give us all necessary information, and sign any assignments or other documents we request to assist us in securing intellectual property rights in the concepts, processes or improvements, all without compensation. These concepts, processes or improvements will become our property, and we may use or disclose it to other operators as we determine appropriate.

We do not own any rights in or to any patents, nor do we have any patent applications pending that are material to the franchise.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You (or your managing owner) agree to (i) personally manage and operate the franchise as your primary occupation, or (ii) hire and delegate your (or your managing owner's) authority and responsibility with respect to management and operation to an individual who will personally manage and operate the franchise as his or her primary occupation (each, a "Supervisor"). You, your managing owner or your Supervisor must, at all times, faithfully, honestly and diligently perform your obligations under the Franchise Agreement, continuously operate, and exert your best efforts to promote and enhance the Business and not engage in any other business or activity that conflicts with your obligations to operate the Business in compliance with the Franchise Agreement. Each of your Controlling Principals must be bound by the terms of the Franchise Agreement and personally guarantee performance of all agreements.

If the franchisee is a business entity, you must designate and we must approve a managing owner to operate the franchise. There is no required amount of equity interest that the managing owner must have in the franchise. If you elect to hire a Supervisor to operate the franchise, the Supervisor must successfully complete our initial training program and must be bound by the confidentiality and noncompetition provisions of the Franchise Agreement.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must operate your franchise in accordance with our Manuals and our Methods of Operation. Our Manuals and our Methods of Operation contain mandatory and suggested specifications, standards, operating procedures and rules that we specify periodically for the operation of the Business, (i.e. the

purchase of supplies and other products, membership, transfers, etc.), and information relating to your other obligations under the Franchise Agreement and related agreements. The Manuals may be modified by us periodically from time to time to reflect changes in our Methods of Operation.

You may only offer and sell those services and related goods that we have approved. You must offer all services and related goods that we designate as required for all franchises. We have the right to change the types of authorized services or goods offered by your franchise. Your refusal to comply with these requirements may result in termination of your Franchise Agreement. There are no limits on our right to change the types of authorized goods or services.

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	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
a. Length of the franchise term	1.6.	Term is 10 years.
b. Renewal or extension of the term	13.	A successor franchise may be granted for a period of 10 years.
c. Requirements for you to renew or extend	13.1, 13.2, and 13.3.	Sign a new franchise agreement, potentially remodel leasehold, not be in default of any agreement with us, pay a successor franchise fee of $5,000. You may be required to sign a contract with materially different terms and conditions than your original Franchise Agreement.
d. Termination by you	14.1.	You may not terminate the Franchise Agreement except in cases where we have failed to cure a material breach of the Franchise Agreement within 60 days after we have received written notice of the material breach. The Franchise Agreement does not automatically terminate if the applicable Area Development Agreement between us is terminated. Further, the Area Development Agreement does not automatically terminate if any Franchise Agreement between us is terminated.

	PROVISION	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
e.	Termination by us without cause	Not applicable.	Not applicable.
f.	Termination by us with cause	14.2.	Material, incurable breaches of Franchise Agreement. We reserve the right to exercise certain alternatives to termination of the Franchise Agreement (see Sections 14.3 and 14.4 of the Franchise Agreement). The Franchise Agreement does not automatically terminate if the applicable Area Development Agreement between us is terminated. Further, the Area Development Agreement does not automatically terminate if any Franchise Agreement between us is terminated.
g.	"Cause" defined – curable defaults	14.2.	You may cure certain deficiencies in the operation of your franchise (i.e. payment of overdue amounts to us, submission of required reports, violation of health, sanitation or safety laws, etc.) before we will terminate the Franchise Agreement.
h.	"Cause" defined – noncurable defaults	14.2.	Certain deficiencies in the operation of your franchise (i.e. you or your owners are convicted of a felony, you disclose Confidential Information in violation of the Franchise Agreement, you made a material misrepresentation or omission in connection with your purchase of the franchise, etc.) are inherently incurable and will result in termination of the Franchise Agreement.
i.	Your obligations on termination/non-renewal	15.	Pay us what you owe us, cease using the Marks, and follow our termination procedures.
j.	Assignment of contract by us	12.1.	Fully transferable by us.
k.	"Transfer" by you - definition	12 except for 12.1.	All transfers require our approval. As used in the Franchise Agreement, the term "transfer" includes your (or your owners') voluntary, involuntary direct or indirect assignment, sale, gift or other disposition of any interest in the Franchise Agreement, you or the franchise. (Article 12.5. provides for your transfer of the franchise to a wholly-owned entity and we will approve such a transfer if you are in full compliance with the conditions contained in Article 12.4.).

	PROVISION	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
l.	Our approval of transfer by you	12.4.	Our approval of any transfer is required prior to your transferring the franchise to a third party. However, we will not unreasonably withhold our approval where the proposed transferee meets all our conditions for approval.
m.	Conditions for our approval of transfer	12.4.	The proposed transferee must meet our standards as to character, financial resources, and willingness to assume the existing obligations under the Franchise Agreement and be willing to sign our then-current form of Franchise Agreement, non-competition and release agreements (See Exhibit "K" Sample General Release). You must pay our transfer fee of $5,000 and our reasonable legal fees, administrative costs and out-of-pocket expenses incurred. The transferee may be required to sign a contract with materially different terms and conditions than your original Franchise Agreement.
n.	Our right of first refusal to acquire your Business	12.10.	We have the right of first refusal for all third-party bona fide offers to you to purchase the Business.
o.	Our option to purchase your Business	15.10.	We have a 60-day option to purchase your Business upon termination or expiration of the Franchise Agreement.
p.	Your death or disability	12.6., 14.2.9.	The franchise must be transferred to a third party within 6 months of your death or disability.
q.	Non-competition covenants during the term of the franchise	7	You may not have a direct or indirect interest in a Competitive Business while you are a franchisee.
r.	Non-competition covenants after the franchise is terminated or expires	15.5.	After termination or expiration of the franchise agreement, you and your owners may not operate a similar type of business for a period of 24 months (i) at your initial location, (ii) at any additional location you open, or (iii) within 5 miles of any location you open or any other **SUN TAN CITY®** Salon.
s.	Modification of the agreement	17.16.	The Franchise Agreement may not be modified except by written agreement signed by you and us.

PROVISION	ARTICLE IN FRANCHISE AGREEMENT	SUMMARY
t. Integration/merger clause	17.18.	Only the terms of the franchise agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	17.12.	All issues except for money you owe us or our affiliates or claims related to the use of the Marks or the non-competition covenants must be submitted to arbitration.
v. Choice of forum	17.14.	Kentucky, subject to state law (see state specific addenda attached to this disclosure document as Exhibit "G").
w. Choice of law	17.13.	Kentucky, subject to state law (see state specific addenda attached to this disclosure document as Exhibit "G" except for arbitration, which is covered by the Federal Arbitration Act).
x. Waiver of jury trial	17.15.	By all parties with specific exceptions.

This table lists certain important provisions of the Area Development Agreement pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the agreements attached to this disclosure document.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
aa. Term	3	The term is determined in accordance with the Development Schedule.
bb. Renewal or extension of the term	Not applicable.	Not applicable.
cc. Requirements for you to renew or extend	Not applicable.	Not applicable.
dd. Termination by you	Not applicable.	You may not terminate the Area Development Agreement.
ee. Termination by us without cause	Not applicable.	Not applicable.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
ff. Termination by us with cause	10	Uncured breach by Developer under Development Agreement after 60-day period. The Franchise Agreement does not automatically terminate if the applicable Area Development Agreement between us is terminated. Further, the Area Development Agreement does not automatically terminate if any Franchise Agreement between us is terminated.
gg. "Cause" defined – curable defaults	Not applicable.	Not applicable.
hh. "Cause" defined – noncurable defaults	Not applicable.	Not applicable.
ii. Your obligations on termination/nonrenewal	Not applicable.	Not applicable.
jj. Assignment of Contract by us	16	Fully transferable by us.
kk. "Transfer" by you - definition	17	All transfers require our approval which may be withheld in our sole discretion.
ll. Our approval of transfer by you	17	Our approval of any transfer other than to an affiliated entity is required prior to your transferring the agreement, which approval may be withheld in our sole discretion.
mm. Conditions for our approval of transfer	Not applicable.	Not applicable.
nn. Our right of first refusal to acquire your Business	Not applicable.	Not applicable.
oo. Our option to purchase your Business	Not applicable.	Not applicable.
pp. Your death or disability	Not applicable.	Not applicable.
qq. Non-competition covenants during the term of the franchise	14.1	You may not have a direct or indirect interest in a Competitive Business while you are a franchisee.

PROVISION	SECTION IN AREA DEVELOPMENT AGREEMENT	SUMMARY
rr. Non-competition covenants after the franchise is terminated or expires	14.2	For a period of 24 months after termination or expiration of the Area Development Agreement, you may not operate or be involved with a Competitive Business (i) within the Area or (ii) within 5 miles of any other **SUN TAN CITY®** Salon.
ss. Modification of the agreement	27	Must be in writing and signed by all parties.
tt. Integration/merger clause	26	Only the terms of the development agreement and other related written agreements are binding (subject to applicable state law.) Any representations or promises outside of the disclosure document and development agreement may not be enforceable.
uu. Dispute resolution by arbitration or mediation	20	All issues except for issues identified in Article 20.3 must be submitted to mediation and arbitration.
vv. Choice of forum	20 and 22	Kentucky, subject to state law (see state specific addenda attached to this disclosure document as Exhibit "G").
ww. Choice of law	21	Kentucky, subject to state law (see state specific addenda attached to this disclosure document as Exhibit "G" except for arbitration, which is covered by the Federal Arbitration Act).
xx. Waiver of jury trial	24	By all parties with specific exceptions.

ITEM 18

PUBLIC FIGURES

At this time, there are no public figures involved in the sale of this franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor

supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

Following are two sets of data analyzing the performance of certain **SUN TAN CITY®** Salons:

I. Analysis of the actual operating results for certain **SUN TAN CITY®** Salons owned and operated by our parent company; and

II. Analysis of the actual operating results of certain franchised **SUN TAN CITY®** Salons.

We have written substantiation in our possession to support the information appearing in this Item 19 and such substantiation will be made available to you on reasonable request.

Some Salons have sold this amount. Your individual results may differ. There is no assurance that you will sell as much.

I. ANALYSIS OF THE ACTUAL OPERATING RESULTS FOR CERTAIN SUN TAN CITY®SALONS OWNED AND OPERATED BY OUR PARENT COMPANY.

BASES AND ASSUMPTIONS

Part I of this analysis contains information regarding the 92 **SUN TAN CITY®** Salons ("Company Salons") owned and operated by our parent which were in operation during the entire 12-month period ended December 31, 2025, with an overall average of 16.9 years of operation. Table 1.1 presents the arithmetic mean average and median of number of tanning and spa sessions per month, EFT Membership Revenue, Other Revenue and Total Revenues for the Company Salons.

The Company Salons are generally located in high profile shopping centers, in highly visible and accessible space. They average approximately 3,000 square feet, are characterized by a bright, clean, impressive design, and feature the highest quality equipment.

Company Salons are similar in operation to the franchised locations offered by us under this disclosure document; however, there are differences. A new franchisee's results will differ from the results in Part I of this analysis primarily because "start-up" salons traditionally experience lower revenues and higher costs than those which have been operating for some time. In addition, certain fees which you must pay to us under the Franchise Agreement, and other differences between the expenses of a franchised salon and a Company Salon, are not reflected in Table 1.1. Those fees and expenses include initial franchise fees, ongoing royalties and any interest expense you would incur if you finance any of the initial investment for the salon or its operation.

Table 1.1
Average Operating Data for
92 Company Salons Open for the Full Year of 2025
Average Unit Information
12 Months Ended December 31, 2025(1)

	AVERAGE	MEDIAN	LOW	HIGH
Number of Tanning and	4,240	4,070	1,904	10,006

Spa Sessions per month				
EFT Membership Revenue	$323,902	$313,438	$137,006	$713,606
Other Revenue	$360,969	$342,000	$127,200	$918,858
Total Revenues[(2)]	$684,871	$665,809	$299,816	$1,632,464

Footnotes to Table 1.1

1. Comparison of results: Of the 92 Company Salons included in Table 1.1:

COMPARISON	**# ABOVE AVERAGE**	**# BELOW AVERAGE**
Number of Tanning and Spa Sessions per month	41 (45%)	51 (55%)
EFT Membership Revenue	43 (47%)	49 (53%)
Other Revenue	42 (46%)	50 (54%)
Total Revenues	39 (42%)	53 (58%)

2. Total Revenues include EFT monthly membership proceeds, other tanning including UV, spray and spa services and lotions and other product sales. Average revenues are a mean average calculated by aggregating the total revenues of all Company Salons and dividing by 87.

EFT Membership revenue: Approximately 47.3% of the total sales revenues for the Company Salons are represented by recurring monthly electronic funds transfers ("EFT memberships") from members' bank or credit card accounts. EFT memberships enable a salon to experience better collections than it would without EFT memberships. Franchisees are required to offer EFT memberships. It may take approximately 3 to 4 years or more for a Salon to achieve the percentage of revenues noted above from EFT memberships. Salons without a comparable percentage of EFT memberships will likely experience lower revenue and collection rates.

Other revenue: Represents revenue from all tanning and spa sales and services other than from EFT membership revenue.

When evaluating a location, you should consider the impact on your location of factors such as demand for tanning and wellness related services, products and accessories in the immediate market, the type and number of competitive businesses in the immediate market, service levels, visibility and accessibility, marketing efforts and effectiveness, prevailing rates in the market, facility reputation and convenience to users of tanning and wellness related services, products and accessories, seasonality, weather and geographic location.

You also should consider that all of the standard Company Salons on which this analysis is based are located in a concentrated region encompassing Kentucky, Indiana, Tennessee and West Virginia, where our parent company has a significant market presence. You should consider the impact on your location of operating in a state or market other than a state or market where our parent company, or one or more franchisees, presently operates locations or has a significant market presence.

II. ANALYSIS OF THE ACTUAL OPERATING RESULTS OF CERTAIN FRANCHISED SUN TAN CITY®SALONS.

BASES AND ASSUMPTIONS

Part II of this analysis contains information regarding the 154 **SUN TAN CITY®** Franchised Salons which were in operation and doing business as Sun Tan City during the entire 12-month period ended December 31, 2025, with an overall average of 12.7 years of operation. Table 2.1 presents the arithmetic mean average and median of number of tanning sessions per month, EFT Membership Revenue, Other Revenue and Total Revenues for the Company Salons.

Table 2.1
Average Operating Data for
162 Franchised Salons Open for the
Entire 12-month Period Ended December 31, 2025[1]

2025 Average Unit Information
12 Months Ended December 31, 2025

	AVERAGE	MEDIAN	LOW	HIGH
Number of Tanning and Spa Sessions per month	3,488	3,334	1,015	8,903
EFT Membership Revenue	$301,579	$279,177	$98,486	$735,906
Other Revenue	$325,535	$311,137	$101,799	$824,675
Total Revenues[2]	$627,114	$587,086	$200,285	$1,520,382

Footnotes to Table 2.1

1. Comparison of results of the Franchise Salons included in Table 2.1:

COMPARISON	# ABOVE AVERAGE	# BELOW AVERAGE
Number of Tanning Sessions per month	66 (43%)	88 (57%)

EFT Membership Revenue	66 (43%)	88 (57%)
Other Revenue	70 (45%)	84 (55%)
Total Revenues	67 (44%)	87 (56%)

2. Total Revenues include EFT monthly membership proceeds, other tanning services and lotions and other product sales. Average revenues are a mean average calculated by aggregating the total revenues of all Franchised Salons and diving by 154.

EFT Membership revenue: Approximately 48.1% of the total sales revenues for the 154 Franchised Salons are represented by recurring monthly EFT membership transfers from members' bank or credit card accounts. EFT memberships enable a Salon to experience better collections than it would without EFT memberships. Franchisees are required to offer EFT memberships. It may take approximately 3 to 4 years or more for a Salon to achieve the percentage of revenues noted above from EFT memberships. Salons without a comparable percentage of EFT memberships will likely experience lower revenue and collection rates.

Other revenue: Represents revenue from all tanning sales and services other than from EFT membership revenue.

Other than the preceding financial performance representations contained in this Item 19, STC Franchising, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations, either orally or in writing. If you are purchasing an existing Salon, however, we may provide you with the actual records of that Salon. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Beth Edelen at beth.edelen@suntancity.com and (855) 727-2684, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No.1
Systemwide Outlet Summary
For years 2023-2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	160	165	5
	2024	165	162	-3
	2025	163	156	-7
Company Owned	2023	91	88	-3
	2024	88	90	+2
	2025	90	96	+6

Total Outlets	2023	251	253	2
	2024	253	253	0
	2025	253	252	-1

Table No. 2
Transfers of Outlets from Franchisees to New Owners
For years 2023-2025

State	Year	Number of Transfers
Georgia	2023	0
	2024	0
	2025	0
Idaho	2023	0
	2024	0
	2025	0
Indiana	2023	0
	2024	0
	2025	0
Iowa	2023	0
	2024	0
	2025	0
Kansas	2023	0
	2024	0
	2025	0
Kentucky	2023	0
	2024	0
	2025	0
Louisiana	2023	0
	2024	0
	2025	0
Maine	2023	0
	2024	0
	2025	0
Minnesota	2023	0
	2024	0

State	Year	Number of Transfers
	2025	0
Missouri	2023	0
	2024	0
	2025	0
Nebraska	2023	0
	2024	0
	2025	0
New Hampshire	2023	0
	2024	0
	2025	0
New Jersey	2023	0
	2024	0
	2025	0
North Carolina	2023	0
	2024	0
	2025	0
Pennsylvania	2023	0
	2024	0
	2025	0
Tennessee	2023	0
	2024	0
	2025	0
Texas	2023	0
	2024	0
	2025	0
Virginia	2023	0
	2024	0
	2025	0
West Virginia	2023	0
	2024	0
	2025	0
Wisconsin	2023	0

State	Year	Number of Transfers
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

Table No. 3
Status of Franchised Outlets
For years 2023-2025

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
GA	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
	2025	3	0	0	0	0	0	3
ID	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
IN	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
	2025	0	0	0	0	0	0	0
IA	2023	28	0	0	0	0	0	28
	2024	28	0	1	0	0	0	27
	2025	27	0	2	0	0	0	25
KS	2023	5	0	0	0	0	0	5
	2024	5	0	1	0	0	0	4
	2025	4	0	0	0	0	0	4
KY	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
	2025	2	0	0	0	0	0	2
LA	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	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
ME	2023	11	0	0	0	0	0	11
	2024	11	0	0	0	0	0	11
	2025	11	0	0	0	0	0	11
MN	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	0	0	6
MO	2023	9	0	0	0	0	0	9
	2024	9	0	0	0	0	0	9
	2025	9	0	0	0	0	0	9
NE	2023	11	0	0	0	0	0	11
	2024	11	0	1	0	0	0	10
	2025	10	0	0	0	0	0	10
NH	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
	2025	7	0	0	0	0	0	7
NC	2023	12	0	0	0	0	0	12
	2024	12	0	0	0	0	0	12
	2025	12	0	0	0	0	0	12
NJ	2023	0	11	0	0	0	0	11
	2024	11	0	0	0	0	0	11
	2025	11	0	1	0	0	0	10
PA	2023	6	0	0	0	0	0	6
	2024	6	0	0	0	0	0	6
	2025	6	0	0	0	3	0	3
TN	2023	25	0	2	0	0	0	23
	2024	23	0	0	0	0	0	23
	2025	23	0	0	0	0	0	23
TX	2023	2	0	1	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
VA	2023	11	0	0	0	0	0	11
	2024	11	0	0	0	0	0	11
	2025	11	0	0	0	0	0	11
WV	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	1	0	0
WI	2023	14	0	1	0	0	0	13
	2024	13	0	1	0	0	0	12
	2025	12	0	0	0	0	0	12
Totals	2023	160	11	4	0	0	0	167
	2024	167	0	4	0	0	0	163
	2025	163	0	3	0	4	0	156

Table No. 4
Status of Company-Owned Outlets
For years 2023-2025

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
IN	2023	30	0	0	2	0	28
	2024	28	1	0	0	0	29
	2025	29	1	0	0	0	30
KY	2023	39	0	0	0	0	39
	2024	39	1	0	1	0	39
	2025	39	0	1	0	0	40
PA	2023	0	0	0	0	0	0
	2024	0	0	0	0	0	0
	2025	0	0	3	0	0	3
TN	2023	20	0	0	1	0	19
	2024	19	1	0	0	0	20
	2025	20	0	0	0	0	20

WV	2023	2	0	0	0	0	2
	2024	2	0	0	0	0	2
	2025	2	0	1	0	0	3
Totals	2023	91	0	0	3	0	88
	2024	88	3	0	1	0	90
	2025	90	1	5	0	0	96

Table No. 5
Projected Openings as of December 31, 2026

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets In the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Indiana	0	0	0
Kentucky	0	0	0
Tennessee	0	0	0
Pennsylvania	0	1	0
West Virginia	1	0	1
Total	0	0	1

Our Fiscal Year Ends December 31.

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with STC Franchising, LLC. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you. If you buy this franchise, your contact information may be disclosed to other buyers. In the past three years, all of our franchisees have signed confidentiality clauses.

There are no known franchisee associations for our franchisees at this time.

We have disclosed all of our current franchisees in Exhibit "I" and all of our franchisees who ceased doing business under the franchise agreement or had an outlet terminated, canceled, or not renewed within the last fiscal year in Exhibit "I-1". There are no **SUN TAN CITY®** franchisees that have failed to communicate with us since we began offering franchises in 2007.

ITEM 21

FINANCIAL STATEMENTS

Our Fiscal Year 2023 through 2025 audited financial statements are attached as Exhibit "J" to this disclosure document.

ITEM 22

CONTRACTS

The following are attached to this disclosure document:

EXHIBIT B. FRANCHISE AGREEMENT
- EXHIBIT A OWNERSHIP ADDENDUM
- EXHIBIT B OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS
- EXHIBIT C SUN TAN CITY LEASE ADDENDUM
- EXHIBIT D SECURITY AGREEMENT
- EXHIBIT E SALON CLIENT SERVICES AGREEMENT

EXHIBIT C. AREA DEVELOPMENT AGREEMENT
- EXHIBIT A OWNERSHIP ADDENDUM
- EXHIBIT B OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS

EXHIBIT D. AGENTS FOR SERVICE OF PROCESS
EXHIBIT E. SUN TAN CITY® CONVERSION ADDENDUM
EXHIBIT F WELLNESS CITY™ TESTING AND CONVERSION ADDENDUM
EXHIBIT G. STATE SPECIFIC ADDENDA
EXHIBIT H. CONFIDENTIALITY AGREEMENT
EXHIBIT I. SAMPLE GENERAL RELEASE

Each of your owners, at any time during the term of the Franchise Agreement, will sign an agreement in the form that we require (see Exhibit B to the Franchise Agreement) agreeing to be bound jointly and severally by all provisions of the Franchise Agreement and any other agreements between you and us that bind you.

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

ITEM 23

RECEIPTS

The last two pages of this disclosure document (Exhibit "M") are two copies of a detachable document acknowledging receipt of the disclosure document by you. The receipts to be signed by all prospective franchisees are attached in duplicate to this disclosure document. You will sign and date one copy and give it to us at the time we present it to you. Your copy of the receipt is attached at the end of this disclosure document.

[THE DISCLOSURE DOCUMENT ENDS HERE]

SUN TAN CITY®

EXHIBIT "A"
TO THE DISCLOSURE DOCUMENT

STATE FRANCHISE ADMINISTRATORS SPECIFIC POINTS OF CONTACT

Illinois: Illinois Attorney General Franchise Bureau 500 South Second Street Springfield, IL 62701 Telephone: 217-782-4465	Indiana: Secretary of State Securities Division 302 W. Washington St. Rm. E111 Indianapolis, IN 46204 Telephone: 317-232-6681
Maryland: Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 Telephone: 410-576-6360	Michigan: Department of Attorney General Consumer Protection Division, Franchise Section 525 W. Ottawa Street Lansing, MI 48933 Telephone: 517-373-7567
Minnesota: Department of Commerce Securities Division 85 7th Place East, Suite 280 St. Paul, MN 55101 Telephone: 651-539-1638	New York: New York State Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 Telephone: 212-416-8236
North Dakota: North Dakota Insurance & Securities Department 600 East Boulevard Avenue, Dept. 401 Bismarck, North Dakota 58505 Phone 701-328-2910	Rhode Island: Department of Business Regulation Securities Division - Franchise Section 1511 Pontiac Avenue Building 69-2 Cranston, RI 02920 Telephone: 401-462-9527
South Dakota: Department of Labor and Regulation Division of Insurance Securities Regulation 124 S. Euclid, Ste. 104 Pierre, SD 57501 Telephone: 605-773-3563	Virginia: State Corporation Commission Division of Securities and Retail Franchising Tyler Building, 9th Floor, 1300 East Main Street Richmond, VA 23219 Telephone: 804-371-9051
	Wisconsin: Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53703 Telephone: 608-266-2139

SUN TAN CITY®

EXHIBIT "B"
TO THE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

[ATTACHED]

SUN TAN CITY®

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (this "Agreement") is made and entered into this [__] day of [_____], 20[__], by and between STC Franchising, LLC, a Kentucky limited liability company, with its principal business address at 101 Catalog Drive, Elizabethtown, Kentucky 42701 (referred to in this Agreement as "we", "us", or "our"), and [_____], whose principal business address is [_____] (referred to in this Agreement as "you", "your", or "franchisee").

1. PREAMBLES, ACKNOWLEDGEMENTS AND GRANT OF FRANCHISE

1.1 **PREAMBLES**. We have expended considerable time and effort in developing a salon business featuring tanning and wellness equipment and services, including UV and spray tanning, facial and full body red light therapy, touchless/automated massages, cryotherapy, cold plunge, salt therapy, infrared sauna, teeth whitening and other similar tanning and wellness services, with equipment and services varying by location, together with skin care, beauty, tanning and wellness products and accessories (the "Salons"). These Salons operate under the **SUN TAN CITY®** name and under distinctive business formats, methods, procedures, designs, layouts, standards and specifications, all of which we may improve, further develop or otherwise modify from time to time (the "System"). We use, promote and license certain trademarks, service marks and other commercial symbols in the operation of **SUN TAN CITY®** Salons, including the **SUN TAN CITY®** trademark and associated logo and other trademarks, service marks, commercial symbols and associated logos, which have gained and continue to gain public acceptance and goodwill (collectively, the "Marks"). In addition, after the date of this Agreement, we may create, use and license additional Marks in conjunction with the operation of **SUN TAN CITY®** Salons. We grant franchises to persons who meet our qualifications and are willing to undertake the investment and effort required to own and operate a **SUN TAN CITY®** Salon offering the services and products we authorize and approve and utilizing our System, irrespective of the media we use to document the System. You have indicated to us by your actions and statements that you are desirous of a franchise to own and operate a **SUN TAN CITY®** Salon. The Marks, together with the System and the franchise license granted herein to operate a **SUN TAN CITY®** Salon are referred to collectively herein as the "Business."

1.2 **INDEPENDENT CONTRACTOR/FRANCHISEE**. You agree to always indicate your status as an independent contractor and franchisee on any document or information released by you in connection with the Business. Further, you will display the following notice in a prominent place at the Business: ***"This Sun Tan City is a franchise of STC Franchising, LLC and is independently owned and operated."*** Any information you acquire from other **SUN TAN CITY®** franchisees relating to their sales, profits or cash flows does not constitute information obtained from us, nor do we make any representation as to the accuracy of any such information. You acknowledge that, in all of their dealings with you, our officers, directors, members, managers, employees and agents act only in a representative, and not in an individual capacity. All business dealings between you and such persons as a result of this Agreement are solely between you and us. You further acknowledge that we have advised you to seek franchise counsel to review and evaluate this Agreement.

1.3 **REPRESENTATION**. You represent to us, as an inducement to our entry into this Agreement, that all statements you have made and all materials you have submitted to us in connection with your purchase of the franchise are accurate and complete and that you have made no misrepresentations

or material omissions in obtaining the franchise. We have approved of your purchasing a franchise in reliance upon all of your representations. As set forth in Article 14.2.5 of this Agreement, we reserve the right to terminate this Agreement if you made any material representation to us that was false or there were any material omissions in information provided to us in inducing us to enter into this Agreement with you.

1.4 **BUSINESS ENTITY FRANCHISEE**. If you are at any time a corporation, partnership or other business entity, you agree and represent that:

1.4.1. You will have the authority to execute, deliver and perform your obligations under this Agreement and are duly organized or formed and validly existing and in good standing under the laws of the state of your incorporation or formation. You will notify us within five (5) days whenever there is a change in your corporate status or whenever you receive service of process for any reason;

1.4.2. Your organizational documents or partnership agreement will require that the issuance and transfer of any ownership interests in you are restricted by the terms of this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to the restrictions of this Agreement;

1.4.3. You must designate one (1) individual, who shall be set forth in Exhibit A hereto, who has the authority to, and does in fact, actively direct your business affairs related to your obligations under this Agreement and has authority to sign on your behalf on all contracts and commercial documents ("Responsible Owner"). You must notify us of any proposed change of the Responsible Owner and receive our written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, you must submit the name of a new proposed Responsible Owner within thirty (30) days after such death or incapacitation. Neither you nor your Owners (as hereinafter defined) will, directly or indirectly, take any actions to avoid or restrict the authority requirement for the Responsible Owner.

Your Responsible Owner and other Owners are identified in Exhibit A to this Agreement. You represent, warrant and agree that the attached Exhibit A is current, complete and accurate, and you agree to provide us written updates of any changes to the Responsible Owners or Owners within five (5) days of any such change and to furnish such other information about your organization or information as we may request within five (5) days of such change; and

1.4.4. Each of your owners who directly or indirectly owns or controls 5% or more of your franchise ("Owners") at any time during the term of this Agreement, will execute an agreement in the form that we prescribe (current form included as Exhibit B to this Agreement) undertaking to be bound jointly and severally by all provisions of this Agreement and any ancillary agreements between you and us that bind you. The spouse of an Owner will not be required to execute the form set forth on Exhibit B unless such spouse is also an Owner.

1.5 **GRANT OF FRANCHISE**. You desire a franchise to own and operate a **SUN TAN CITY®** Salon at [_____]. Subject to the terms of and upon the condition contained in this Agreement, we hereby grant you a franchise (the "Franchise") to operate a **SUN TAN CITY®**

Business solely at the Salon, and a license to use the Marks and the System in the operation thereof, for a term commencing on the date of this Agreement and expiring on the tenth (10th) anniversary of that date, unless sooner terminated in accordance with Article 14. If we consent to the Salon's relocation, we have the right to charge you for the expenses we incur in connection with the relocation in addition to the successor franchise fee provided for in Article 13.1.4. Except as otherwise provided in Article 1.8, we (and our affiliates) will not establish, or grant to a franchisee the right to establish, another **SUN TAN CITY®** Salon to be located within a two (2) mile radius of the Salon (the "Area").

1.6 **YOUR PERFORMANCE**. You (or your managing shareholder or partner) agree to personally manage and operate the Business as your primary occupation, or you will hire and delegate your (or your managing shareholder's or partner's) authority and responsibility with respect to management and operation to an individual who will personally manage and operate the Business as his or her primary occupation (each, a "Supervisor"). You agree that you will at all times faithfully, honestly and diligently perform your obligations hereunder, continuously operate and exert your best efforts to promote and enhance the Business and not engage in any other business or activity that conflicts with your obligations to operate the Business in compliance with this Agreement.

1.7 **RIGHTS WE RESERVE**. We (and our affiliates) retain the right in our sole discretion to:

1.7.1. Operate, and grant to franchisees the right to operate, **SUN TAN CITY®** Salons anywhere outside the Area on such terms and conditions as we deem appropriate;

1.7.2. Sell our ancillary products, whether or not using the Marks through distribution channels other than **SUN TAN CITY®** Salons, including through catalogs distributed within your Area, and through our web site and mobile app;

1.7.3. Grant other licenses for use of the System and the Marks;

1.7.4. Develop and establish other business systems using the Marks, or other names or Marks and to grant licenses to use those systems without providing any rights to you;

1.7.5. Advertise and promote the System without restriction;

1.7.6. Operate, and license others to operate, retail tanning salons under the Marks, or under other names or marks, at any location other than the Area or Development Area; and

1.7.7. Engage, directly or indirectly, at wholesale, retail or otherwise, in the production, distribution, operation, license and sale of tanning products and services, tanning equipment, skin care, beauty, spa, health and wellness products and services, together with related services, products, merchandise, and accessories under the Marks, or under other marks through any method of distribution, including, Internet, catalog sales, telemarketing or other direct marketing and other tanning facilities regardless of the proximity to, or the competitive impact on your **SUN TAN CITY®** Salon, without compensation to you.

2. LOCATION SELECTION AND BUSINESS DEVELOPMENT

2.1 **SELECTION OF YOUR LOCATION**. You acknowledge that if you desire to establish a **SUN TAN CITY®** Salon at a site, you will submit, or have submitted, a written application to us for approval of such site. The application shall include information we typically evaluate to determine

the suitability of a site for a **SUN TAN CITY®** Salon, including, without limitation, demographic characteristics, traffic patterns, parking, competition from other businesses within the area, the proximity of the proposed site to competitors, the size, appearance and other physical characteristics of the proposed site and other commercial characteristics of the site. You acknowledge and agree that our approval of the site, and any information regarding the site communicated to you, do not constitute a representation or warranty of any kind, express or implied as to the suitability of the site for a **SUN TAN CITY®** Salon or for any other purpose. Our approval of the site indicates only that we believe that such location falls within the acceptable criteria for a site that we have established as of the time of our approval of the site. Application of criteria that have appeared effective with respect to other locations may not accurately reflect the potential for this location, and after our approval of a site, demographic and/or other factors included in or excluded from our criteria could change, thereby altering the potential of a location. The uncertainty and instability of such criteria are beyond our control, and we will not be responsible for the failure of a location we have approved to meet your expectations as to potential revenue or operational criteria. You acknowledge and agree that your acceptance of the site is based on your own independent investigation of the suitability of the site. We have the right to grant or withhold approval of any proposed site in our business judgment.

2.2 **LEASE OR PURCHASE OF THE LOCATION**. You acknowledge that we have the right, but not the obligation, to review the lease, sublease or purchase contract for the Salon subsequent to signing this Agreement. You acknowledge that we require a Franchisor Addendum to your lease for the Salon in the form that we prescribe (see Exhibit C to this Agreement). You acknowledge that our review of certain provisions of the lease, sublease or purchase contract for the Salon does not constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a **SUN TAN CITY®** Salon operated at the location. We do not, by virtue of reviewing the lease, sublease or purchase contract, assume any liability or responsibility to you or to any third parties. Such review, if undertaken, indicates only that we believe that the Salon and certain terms of the lease for the Salon fall within the acceptable criteria we have established as of the time of our approval. You further acknowledge that we have advised you to seek real estate counsel to review and evaluate the lease, sublease or purchase contract for the Salon. You are obligated to deliver a copy of the lease, sublease or purchase contract for the Salon to us within fifteen (15) days after its execution.

2.3 **BUSINESS DEVELOPMENT**. You are solely responsible for developing the Business. We will furnish you with mandatory specifications and layouts for a **SUN TAN CITY®** Salon, including requirements for dimensions, design, image, interior layout, décor, fixtures, equipment, signs, furnishings and color scheme and other suggestions. You are obligated to have prepared, at your expense, all required construction plans and specifications to suit the shape and dimensions of the Salon and to ensure that such plans and specifications comply with applicable zoning and other ordinances, building codes and permit requirements and with lease requirements and restrictions. You are obligated to submit construction plans and specifications to us for approval before construction of the Salon is commenced and, at our request, to submit all revised or "as built" plans and specifications during or at conclusion of construction. We may assist you in developing the Salon by recommending contractors (which may include us and/or our affiliates) and architects and otherwise furnishing information to assist you in developing the Business in accordance with our System. If we or our affiliates serve as the contractor to construct the Salon, we or our affiliates will have the right to receive a contractor's fee in connection with such services. You acknowledge and agree that our review and approval of any construction plans you submit to us for approval under this paragraph (as well as any inspections we make of your premises during construction) are solely to assure your compliance with the System. We do not, by virtue of such review or approval, assume

any liability or responsibility to you or to any third parties. You expressly represent and warrant to us the Salon will be built and operated in compliance with all local, state and federal laws, ordinances, rules and regulations, including, without limitation, the Americans with Disabilities Act and similar laws, regulations or rules governing public accommodations for persons with disabilities.

2.4 **YOUR OBLIGATIONS**. You agree, at your own expense, to do the following with respect to developing the Business:

2.4.1. Secure all financing required to develop and operate the Business;

2.4.2. Obtain all permits and licenses required to construct and operate the Business;

2.4.3. Construct all required improvements to the Salon in compliance with plans and specifications we have approved and which comply with all governmental requirements;

2.4.4. Purchase or lease and install all required fixtures, furniture, equipment, furnishings and signs required for the Business;

2.4.5. Purchase an initial inventory of authorized and approved products, materials and supplies;

2.4.6. Use client service agreements that allow you or us to electronically debit your clients' accounts for the membership fee for the Business;

2.4.7. Provide that we shall conduct all electronic fund processing ("EFT") services on your behalf for the Business;

2.4.8. Open a bank account for the deposit of EFT drafts that we collect on your behalf for the Business (we will remit to you all amounts net of royalties, fees and other amounts due to us and our affiliates (and suppliers that you do not pay on a commercially reasonable basis));

2.4.9. Join or participate in one or more consumer rating services;

2.4.10. Obtain membership in the American Suntanning Association or such other trade association as we may designate (the "Trade Association") for you and the Salon; and

2.4.11. At our request, provide a compilation, review or audited financial statements from an outside accounting firm for the Business.

2.5 **FIXTURES, FURNISHINGS, EQUIPMENT, SIGNS, PRODUCTS, AND AUTHORIZED EQUIPMENT REPAIR SERVICES**. You agree to use in developing and operating the Business only those fixtures, furnishings, equipment (including cash registers/point of sale systems, telecopiers and computer hardware and software), signs, and products that we have approved as meeting our specifications and standards for quality, design, appearance, function and performance. You agree to place or display at the Salon (interior and exterior) only such signs, emblems, lettering, logos and display materials that we approve from time to time. You agree to purchase or lease approved brands, types or models of fixtures, furnishings, equipment, signs and products only from suppliers we have designated or approved (which may include us and/or our affiliates). You agree to provide or arrange for authorized equipment repair services at the Salon, either directly or indirectly (through an approved supplier). We may from time to time develop proprietary private label

equipment and products that are an integral part of our System and you acknowledge and agree that you will comply with all our specifications and requirements relating to incorporating and using such equipment and products in the operation of the Business, as we may require.

2.6 **BUSINESS OPENING**. You agree not to open the Salon for business until:

2.6.1. We approve the Salon as developed in accordance with our specifications and standards;

2.6.2. Preopening training has been completed to our satisfaction by you and/or your employees;

2.6.3. You have given us a copy of your lease, sublease or purchase agreement for the Salon;

2.6.4. The initial franchise fee and all other amounts then due to us have been paid;

2.6.5. We have been furnished with copies of all insurance policies required by this Agreement, or such other evidence of insurance coverage and payment of premiums as we request or accept;

2.6.6. You have obtained all required permits, licenses, and certifications for operating the Salon and the Business is in compliance with all laws, rules and regulations;

2.6.7. We have approved your client service agreements allowing you or us to electronically debit your clients' accounts for the membership fee;

2.6.8. You have opened a bank account and have completed all of the necessary documentation to permit us to collect all EFT drafts on your behalf and deposit them in such bank account net of all royalties, fees and other amounts due to us and our affiliates or your suppliers for whom you have not paid on a commercially reasonable basis;

2.6.9. You have joined or agreed to participate in a consumer rating service; and

2.6.10. You have become a member of the American Suntanning Association or such other Trade Association as we may designate.

2.7 **COMMENCEMENT DEADLINE**. You agree to commence operations within (i) ninety (90) days after signing a lease for your Salon or (ii) ten (10) days after completion of construction at the Salon, whichever is later.

2.8 **GRAND OPENING PROGRAM**. You agree to conduct a grand opening advertising and promotional program for the Business during the thirty (30) day period prior to opening and during the thirty (30) day period after its opening and to expend not less than Ten Thousand Dollars ($10,000.00) for such purpose. Such grand opening advertising will utilize the marketing and public relations programs and media and advertising materials we have approved. Such grand opening advertising shall be conducted at such times as we consider prudent.

3. FEES

3.1 **INITIAL FRANCHISE FEE**. You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of Thirty Thousand Dollars ($30,000.00) when you sign this Agreement. The fee will be fully earned by us upon the execution of this Agreement.

3.2 **ROYALTY**. You agree to pay us a nonrefundable royalty ("Royalty") each calendar month (the "Accounting Period"). You agree to pay us a Royalty of eight percent (8%) of your Gross Revenue (as defined below) commencing on the date of the initial opening of the Business (the "Opening Date") and continuing thereafter during the remaining term of the Agreement. You shall provide to us via facsimile transmissions or Internet e-mail, or such other form of delivery we approve, a report of the Gross Revenue derived from operating the Business at the Salon for each calendar month no later than the tenth (10th) day of the subsequent calendar month. You agree that we shall receive the Royalty for the preceding calendar month no later than the fifteenth (15th) day of each calendar month. We shall either debit draft your account, which shall be initiated by us, withhold the amount from the EFT drafts that we collect on your behalf or by such other form of delivery that we approve. If you fail to provide us with a report of Gross Revenue by the tenth (10th) day of the month for the preceding month, then we may, in our sole discretion, elect to draft from your account or withhold from your EFT draft that we collect on your behalf, the same amount that had been drafted the previous month, and you will be responsible for any deficiency if the amount actually owed for such month's Royalty is greater than the amount drafted or withheld. You will be credited if the amount drafted or withheld is in excess of the amount owed for such month's Royalty.

3.3 **DEFINITION OF "GROSS REVENUE"**. As used in this Agreement, the term "Gross Revenue" means all revenue you derive from operating the Business, including, but not limited to, all amounts you receive for merchandise, goods, gift cards or services sold at or away from the Salon, and whether from cash, check or credit transactions, but excluding all federal, state or municipal sales, use or service taxes (including any so-called "tanning taxes") collected from clients and paid to the appropriate taxing authority and excluding client refunds, amounts paid by clients as charitable fund raisers, adjustments, credits, and allowances actually made by the Business in compliance with Methods of Operation (as defined in Article 4.5).

3.4 **INTEREST ON LATE PAYMENTS**. All amounts which you owe us and do not pay us when due will bear interest after their due date at the highest contract rate of interest permitted by law. You acknowledge that this Article does not constitute our agreement to accept any payments after they are due or our commitment to extend credit to, or otherwise finance your operation of, the Business. Your failure to pay all amounts when due constitutes grounds for termination of this Agreement, as provided in Article 14 hereof, notwithstanding the provisions of this Article.

3.5 **APPLICATION OF PAYMENTS**. You authorize us to provide all EFT services on your behalf and you shall execute all documents that we determine are necessary to permit us to perform these EFT services on your behalf. Notwithstanding any designation you might make, we have sole discretion to apply any of your payments to any Royalties, fees or other charges that you owe to us or any of our affiliates and any of your past due indebtedness to us or any of our affiliates. You acknowledge and agree that we have the right to set off any amounts you or your owners owe us against any amounts we might owe you or your owners. You also acknowledge that we may use these funds to pay any of your suppliers that you have not paid using commercially reasonable efforts.

3.6 **SPECIFIC GOODS PURCHASES**. The specifics of your initial purchase of inventory and supplies and the delivery of same and all subsequent inventory and supplies transactions will be dealt with in the normal course of business subject to the terms hereof. We may require a deposit for your initial purchase of inventory and supplies, which may include, but is not limited to, a fifty percent (50%) deposit for walls, fixtures, furniture and other equipment. Some vendors may require full payment for equipment and/or supplies prior to delivery of such equipment and/or supplies. In respect

of any inventory or supplies we sell you on open account, you shall execute the Security Agreement attached hereto as Exhibit D, and, in respect of any inventory or supplies we sell you on open account, you agree to execute such financing statement(s) and such renewal or continuation financing statements or other documents relating to the security interest as are requested by and acceptable to us.

3.7 **INSPECTION AND COMPLIANCE REIMBURSEMENT**. You agree to reimburse us for our actual costs if, after an inspection of your **SUN TAN CITY®** business, we determine (in our business judgment) that additional follow up inspections or assessments are required. Our actual costs may include (but are not necessarily limited to) travel, meal and hourly wage expenses.

3.8 **ADDITIONAL FEES**. You agree to pay to us or our affiliate, or service provider as we may designate, fees in consideration of the following items and costs, although we reserve the right to increase these fees from time to time as a result of market cost increases, as well as to pass along any applicable sales tax to you:

3.8.1. Client Services undertaken by our Central Contact Center, at a current cost of $127 - $457 per month per Salon (see Exhibit E);

3.8.2. E-mail Blast Services at a current cost of $50 per month per Salon;

3.8.3. Non-standard data analysis query requests at a current cost of $150 for up to two hours of work and $100 per hour for additional hours;

3.8.4. Outbound calls and surveys at a minimum cost of $150, with actual cost based on number of desired calls;

3.8.5. Marketing rush fee at a current cost of $300 for turnaround in less than ten (10) business days, plus $100 per hour for time incurred to complete the requested deliverables;

3.8.6. MyGlow system charge of $25 setup fee and $10 - $15 per month maintenance charge, per salon;

3.8.7. IT fees in varying amounts for requiring expedited turnaround of IT-related requests (see Exhibit E);

3.8.8. Music Service at a current cost of $29.95 per month per salon;

3.8.9. Software and License Support Fee in the current amount of $650;

3.8.10. Computer Monitoring and Help Desk Support at a current cost of $49 per month per device during normal business hours;

3.8.11. GLOW TV at a current cost of $20 per month for first device per salon and $5 per month for each additional device per salon;

3.8.12. Credit Card Auto-Update currently $9.95 per month plus $0.15 per updated card;

3.8.13. Credit Card Encryption at a current cost of $9.95 per month for each terminal in salon;

3.8.14. Woven Software Application at a current cost of $75 per month per salon; and

3.8.15. Ecommerce (STC App and Website) at a current cost of $150 per month per salon.

4. TRAINING AND ASSISTANCE

4.1 **TRAINING**. Before you commence Business operations, we will furnish initial training on the operation of your or your affiliate's first **SUN TAN CITY®** Salon (or, if you are a corporation, limited liability company or partnership, your Supervisor and managing shareholder, managing member or partner) (the "Initial Training") as follows:

4.1.1. Operator Training. The salon manager, also known as Salon Director, shall complete a Salon Director Training Program prior to your Salon opening. The Salon Director Training Program will be executed at one or more Company training Salons in the field.

4.1.2. Initial Salon Opening and Training. We will provide forty (40) hours of training and support at your or your affiliate's first Salon. This training will include new salon set up and organization, and Salon Director support and training. We will also provide you with development guidance before you open your first Salon.

4.1.3. First Role Certification. We will train and certify all first roles including Salon Director, District Manager, Training Salon Director and Field Support Specialist (collectively, the "Salon Operators"). All training will be executed at one or more Company training Salons in the field. Once each role is established, trained and certified you will take on the training execution and certification for the established roles. This will include training for any additional Salons that you or an affiliate of yours may open under one or more Franchise Agreements with us. In the event that you request training for any Salons beyond the first Salon that you or your affiliates own or operate under a Franchise Agreement with us, we shall charge you our then-current fees for such Initial Training for additional Salons.

4.1.4. Qualifications and Notes.

4.1.4.1 Our training methods, materials and our charges therefor, are subject to change. The content of the training is at our sole discretion.

4.1.4.2 If a Salon Operator or Franchisee does not satisfactorily complete any training requirements and programs, they must do so within 60 days after notification from us.

4.1.4.3 If the Salon Director is replaced at any time, you must train the new Salon Director using a certified Training Salon Director. If you do not have a certified Training Salon Director in your franchisee organization, then the new Salon Director must receive training in a Sun Tan City location operated outside the franchisee group. This training will be provided by us at no cost, but travel related expenses and employee compensation (for the trainee) is your responsibility.

4.1.4.4 If the Supervisor at any time vacates the position of Supervisor for the Franchisee, then a new Supervisor must be designated within 90 days. The new Supervisor must then complete the Salon Director training program within 120 days of the vacancy.

4.1.4.5 The Initial Training is only provided for your first Salon that you or your affiliates own or operate. In the event that you or an affiliate of yours owns or operates one or more additional Salons under one or more Franchise Agreements with us, we will charge a reasonable fee for any training we provide above and beyond Initial Training for the first Salon. For training sessions for any Salon other than your first Salon, you will be required to pay, as of the date thereof, $300.00 per day on-site training session, minimum of three days, or the then-current fee. In addition, you will reimburse us for all costs related to this additional training within ten (10) days after a bill from us reflecting the training costs delivered to you, pursuant to the provisions of Article 3.5 of this Agreement. This amount is subject to adjustment by us in our sole and absolute discretion.

4.1.4.6 We may require you and your Salon Operators to attend additional training. For each additional training session beyond the training sessions associated with the pre-opening and post-opening of your first Salon, you will be required to pay, as of the date hereof, $300.00 per day on-site training session, minimum of three days, or the then-current fee. In addition, you will reimburse us for all costs related to this additional training within ten (10) days after a bill from us reflecting the training costs is delivered to you, pursuant to the provisions of Article 3.5 of this Agreement. This amount is subject to adjustment by us in our sole and absolute discretion.

4.1.4.7 You are responsible for all expenses that you and your employees incur for all training programs, including the cost of travel, lodging, meals, and wages.

4.1.4.8 You are obligated to utilize all current training programs for all employees of your Business.

4.1.4.9 Other than the Initial Training, any onsite training done by us will be at your cost. These costs include travel, lodging, meals, and our then-current training fees. This includes any new Salon opening training support.

4.1.4.10 You may request additional training for your first Salon beyond the Initial Training. If possible, we will accommodate any additional training requested. All additional training is at your cost and includes travel, lodging, meals, and our then-current training fees.

4.1.4.11 You will reimburse us for all of the reasonable travel, lodging and meal costs or expenses incurred by us in connection with any training within ten days after a bill from us reflecting such costs or expenses is delivered to you, pursuant to the provisions of Article 3.5 of this Agreement.

4.2 **REFRESHER TRAINING**. We may require you (or your managing shareholder, managing member or partner) and/or previously trained and experienced employees to attend periodic refresher training courses at such times and locations that we designate, and we may charge reasonable fees for such courses. We also may require you to pay us fees for training additional employees or your new employees hired after your Salon commences operations.

4.3 **GENERAL GUIDANCE**. We may advise you from time to time regarding operating issues concerning the Business disclosed by reports you submit to us or on-site inspections we make from time to time. Such guidance will, at our discretion, be furnished in our operations manual, training manuals and franchise owners business manual (collectively, the "Manuals"), bulletins or other written materials and/or during telephone consultations and/or consultations at our office or the Salon. In addition, we may furnish guidance to you with respect to:

4.3.1. Standards, specifications and operating procedures and methods utilized by the Business;

4.3.2. Purchasing required fixtures, furnishings, equipment, signs, products, materials and supplies;

4.3.3. Advertising and marketing programs;

4.3.4. Employee training; and

4.3.5. Use of authorized software.

4.4 **ADDITIONAL GUIDANCE**. During the term of this Agreement, additional guidance may be provided in any of the following ways:

4.4.1. Telephone consultation during such times as are outlined in the Operations Manual (see Article 4.5. below);

4.4.2. Buying advisory services whereby we may provide you with lists of sources and approved suppliers for our products, merchandise, accessories, services, fixtures, furnishings, equipment, signs, etc.;

4.4.3. Wholesaling services whereby we may ourselves act as an approved or designated source for products, merchandise, accessories, fixtures, furnishings, equipment, signs, etc.;

4.4.4. Ongoing marketing programs to fulfill our obligations in Article 2.8. of this Agreement;

4.4.5. Newsletter services whereby we may inform you periodically about the current events in the **SUN TAN CITY®** System;

4.4.6. Meetings, whereby we may convene with you and other **SUN TAN CITY®** franchisees for business or social purposes;

4.4.7. Research and development regarding Methods of Operation (see Article 4.5. below); and/or

4.4.8. At your request, we may furnish additional guidance and assistance related to the Manuals and we may charge reasonable fees for such guidance that we establish from time to time. If you request, or if we require, additional or special training for your employees, all of the expenses that we incur in connection with such training, including *per diem* charges and travel and living expenses for our personnel, will be your responsibility.

4.5 **MANUALS**. During the term of this Agreement, we may allow you to use Manuals for the Salon, consisting of such materials (possibly including, but not limited to, audio tapes, videotapes,

magnetic media, computer software and written and electronic materials) that we furnish to franchisees from time to time for use in operating a **SUN TAN CITY®** Business. The Manuals contain mandatory and suggested specifications, standards, operating procedures and rules that we prescribe from time to time for the operation of a **SUN TAN CITY®** Business and information relating to your other obligations under this Agreement and related agreements ("Methods of Operation"). The Manuals may be modified from time to time to reflect changes in the law, marketplace or Methods of Operation. You agree to keep your copies of the Manuals current, secure, and available for review for only those team members with the need to know. In the event of a dispute relating to its contents, the master copy of the Manuals we maintain at our principal office will be controlling. You may not at any time copy, duplicate, share, record or otherwise reproduce any part of the Manuals without our express written permission. The Manuals and other applications, standards, and operating procedures provided to you, as amended from time to time, are intended to further the purposes of this Agreement and are specifically incorporated into this Agreement. The Manuals (and each component thereof) constitute a confidential trade secret and will remain our property. You agree that these requirements are reasonable and necessary to preserve the identity, reputation, value and goodwill of the System.

5. MARKS

5.1 **OWNERSHIP AND GOODWILL OF MARKS**. Your right to use the Marks is derived solely from this Agreement and limited to your operation of the Salon pursuant to and in compliance with this Agreement and Methods of Operation, which we prescribe from time to time during its term. Your unauthorized use of the Marks will be a breach of this Agreement and an infringement of our rights in and to the Marks. You acknowledge and agree that your usage of the Marks and any goodwill established by such use will be exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you (other than the right to operate the Salon in compliance with this Agreement). All provisions of this Agreement applicable to the Marks apply to any additional proprietary trademarks and service marks and commercial symbols we authorize you to use. You will not represent in any manner that you have any ownership in the Marks or the right to use the Marks except as provided in this Agreement and the Operations Manual.

5.2 **LIMITATIONS ON YOUR USE OF MARKS**. You agree to use the Marks as the sole identification of the Salon, except that you agree to identify yourself as the independent owner thereof in the manner we prescribe. You may not use any Marks as part of any corporate or legal business name or Internet domain name or Internet e-mail address or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you hereunder), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Marks may be used in any advertising concerning the transfer, sale or other disposition of the Business or an ownership interest in you. You agree to display the Marks prominently in the manner we prescribe at the Salon, on supplies or materials we designate and in connection with forms and advertising and marketing materials. You agree to give such notices of trademark and service marks registration (i.e., "®", "™") as we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree to withdraw any fictitious or assumed name registration immediately upon termination or expiration of this Agreement.

5.3 **NOTIFICATION OF INFRINGEMENTS AND CLAIMS**. You agree to notify us immediately of any apparent infringement or challenge to your use of any Marks, or of any claim by any person of any rights in any Marks and agree not to communicate with any person other than us, our attorneys

and your attorneys in connection with any such infringement, challenge or claim. We have sole discretion to take such action as we deem appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office ("USPTO") proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Marks. You agree to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of us or our attorneys, may be necessary or advisable to protect and maintain our interests in any litigation or USPTO or other proceeding, or otherwise to protect and maintain our interests in the Marks.

5.4 **DISCONTINUANCE OF USE OF MARKS**. We have the right, at any time and from time to time, upon notice to you, to make additions to, deletions from and changes in any of the Marks, or all of them. If we determine to modify or discontinue the use of any Marks and/or use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice thereof. We will reimburse you for your reasonable direct expenses of changing the Salon's signs at the Salon. However, we will not be obligated to reimburse you for any loss of revenue attributable to any modified or discontinued Marks or for any expenditures you make to promote a modified or substitute trademark or service mark.

5.5 **INDEMNIFICATION OF FRANCHISEE**. We agree to indemnify you against, and to reimburse you for, all direct damages for which you are held liable in any proceeding arising out of your authorized use of any Mark pursuant to and in compliance with this Agreement and, except as provided herein, for all costs you reasonably incur in defending any such claim brought against you, provided you have timely notified us of such claim and provided further that you and your owners and affiliates are in compliance with this Agreement and all other agreements entered into with us or any of our affiliates. We are entitled to prosecute, defend and/or settle any proceeding arising out of your use of any Mark pursuant to this Agreement, and, if we undertake to prosecute, defend and/or settle any such matter, we have no obligation to indemnify or reimburse you for any fees or disbursements of any legal counsel retained by you.

6. CONFIDENTIAL INFORMATION

6.1 **DETERMINATION OF CONFIDENTIAL INFORMATION**. We possess (and will continue to develop and acquire), and may disclose to you, certain confidential information (the "Confidential Information") relating to the development and operation of the **SUN TAN CITY®** System, which may include (without limitation):

6.1.1. Salon selection criteria and plans and specification for the development of **SUN TAN CITY®** businesses;

6.1.2. Methods, formats, specifications, standards, systems, procedures, the Manuals, any other proprietary materials, the sales and marketing techniques used, and knowledge of and experience in developing and operating **SUN TAN CITY®** businesses;

6.1.3. Sales, marketing and advertising programs and techniques for **SUN TAN CITY®** businesses;

6.1.4. Knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies used in developing or operating **SUN TAN CITY®** businesses;

6.1.5. Knowledge of the operating results and financial performance of **SUN TAN CITY®** businesses other than your Business;

6.1.6. Methods of training and management relating to **SUN TAN CITY®** businesses;

6.1.7. Computer system and software programs used or useful in **SUN TAN CITY®** businesses; and

6.1.8. Any and all other information related to the Business or **SUN TAN CITY®** businesses generally that is labeled proprietary or confidential. This includes, without limitation, all client and membership lists and information for the Business and **SUN TAN CITY®** businesses generally.

6.2 **FOR BUSINESS USE ONLY**. You acknowledge and agree that you will not acquire any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to you in operating your Business during the term of this Agreement, and that the use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. You further acknowledge and agree that Confidential Information is proprietary, includes our trade secrets and is disclosed to you solely on the condition that you agree, and you do hereby agree, that you:

6.2.1. Will not use Confidential Information in any other business or capacity;

6.2.2. Will maintain the absolute confidentiality of Confidential Information during and after the term of this Agreement;

6.2.3. Will not make unauthorized copies of any portion of Confidential Information disclosed via electronic medium or in written or other tangible form; and

6.2.4. Will adopt and implement all reasonable procedures, including those that we prescribe from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure thereof to your personnel and others and executing agreements with your personnel that require them to protect the Confidential Information.

6.3 **IDEAS, CONCEPTS, TECHNIQUES OR MATERIALS**. All ideas, concepts, techniques or materials relating to the **SUN TAN CITY®** System, whether or not constituting protectable intellectual property, and whether created by or on behalf of you or your owners, will be promptly disclosed to us, deemed to be our sole and exclusive property and part of the System and deemed to be works made for hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you will assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment agreement or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item. You and we will jointly own all right, title and interest in and to all client lists and client information regarding all past and present customers of the Salon (the "Client Information"). However, if the Franchise Agreement is terminated following a default by you, your rights in the Client Information will automatically terminate and you must deliver all Client Information in your possession to us, and we will be the sole owner of all Client Information. For a Salon that was operated as a tanning salon and that has converted to operate under the **SUN TAN CITY®** System (a "Conversion Salon"), Client Information includes information regarding customers of your Business prior to and after the

conversion to a **SUN TAN CITY®** Salon. We may use the Client Information in perpetuity for any purpose whatsoever without compensation to you.

7. EXCLUSIVE RELATIONSHIP

7.1 **EXCLUSIVE DEALINGS**. You acknowledge that we have granted the Franchise to you in consideration of and reliance upon your agreement to deal exclusively with us. You, therefore, agree that, during the term of this Agreement, neither you nor any of your owners (nor any of your or your owners' spouses, children or other relatives by blood or marriage) will:

7.1.1. Have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business, wherever located;

7.1.2. Perform services as a director, officer, employee, consultant, representative, manager, agent of or otherwise for, a Competitive Business, wherever located; or

7.1.3. Recruit or hire any person who is or was our employee or the employee of any **SUN TAN CITY®** business without obtaining the prior written permission of that person's employer. You shall pay, within five (5) days after you hire one of our, or our affiliate's employees, the following amounts: $2,500.00 for a Salon Director, Training Salon Director or Salon Director in Training; and $5,000.00 for a District Manager or Trainer.

7.2 **COMPETITIVE BUSINESS**. The term "Competitive Business" as used in this Agreement means any business operating, or granting franchises or licenses to others to operate, any business which offers indoor tanning, spa, health or wellness products or services (other than a **SUN TAN CITY®** business operated under a Franchise Agreement with us).

8. METHODS OF OPERATION

8.1 **COMPLIANCE WITH METHODS OF OPERATION**. You acknowledge and agree that your operation and maintenance of the Salon in accordance with Methods of Operation (defined in Article 4.5.) is essential to preserve the goodwill of the Marks and all the **SUN TAN CITY®** businesses. Therefore, at all times during the term of this Agreement, you agree to operate and maintain the Salon in accordance with Methods of Operation, as we periodically modify and supplement them during the term of this Agreement. Methods of Operation may regulate any one or more of the following with respect to the Salon:

8.1.1. Design, layout, décor, appearance and lighting; periodic maintenance, cleaning and sanitation; periodic remodeling (see Article 8.5); replacement of obsolete or worn-out leasehold improvements, fixtures, furnishings, equipment and signs; periodic painting; and use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;

8.1.2. Types, models and brands of required fixtures, furnishings, equipment, signs, materials and supplies;

8.1.3. Required or authorized services, products and product categories (the sale of merchandise other than **SUN TAN CITY®** merchandise, without our express written approval, is a material breach of the terms of the Agreement);

8.1.4. Designated or approved suppliers (which may be limited to or include us) of fixtures, furnishings, equipment, signs, products, materials and supplies and services (the use of suppliers other than us, our subsidiaries or affiliates, or our other approved suppliers, without our express written approval, is a material breach of the terms of this Agreement);

8.1.5. Terms and conditions of the sale and delivery of, including, without limitation, credit terms and letter of credit amounts, and terms and methods of payment for, and security deposits, for services, products, materials, supplies and services including direct labor, that you obtain from us, our affiliates or others;

8.1.6. Sales, marketing, advertising and promotional programs and materials and media used in such programs, including, without limitation, the right to enforce price policies and timing and duration of price reduction periods;

8.1.7. Use and display of the Marks, including, without limitation, our approval of all signage for your Salon;

8.1.8. Membership in the Trade Association as we may designate;

8.1.9. Membership or participation in one or more consumer rating services;

8.1.10. Staffing levels for the Salon; communication to us of the identities of the Salon's personnel; and training, dress and appearance of employees;

8.1.11. Days and hours of operation of the Business (We require that the Business follow the same days and hours of operation as those observed by our affiliate company Salons. A change in the days and hours of operation of the Business must be approved by us in writing.);

8.1.12. Participation in market research and testing and product and service development programs;

8.1.13. Acceptance of credit cards, other payment systems and check verification services (including without limitation mobile payment systems);

8.1.14. Bookkeeping, accounting, data processing and record keeping systems and forms; methods, formats, content and frequency of reports to us of sales, revenue, financial performance and condition; and furnishing tax returns and other operating and financial information to us, including, but not limited to, a compilation, review or audited financial statements from an outside accounting firm;

8.1.15. As further described in Article 8.12, types, amounts, terms and conditions of insurance coverage required to be carried for the Business and standards for underwriters of policies providing required insurance coverage; our protection and rights under such policies as an additional named insured; required or impermissible insurance contract provisions; assignment of policy rights to us; periodic verification of insurance coverage that must be furnished to us; our right to obtain insurance coverage for the Business at your expense if you fail to obtain required coverage; our right to defend claims; and similar matters relating to insured and uninsured claims;

8.1.16. Complying with applicable laws; obtaining required licenses and permits; adhering to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with clients, employees, suppliers and us; and notifying us if any action, suit or proceeding is commenced against you or the Business;

8.1.17. Regulation of such other aspects of the operation and maintenance of the Business that we determine from time to time to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and the **SUN TAN CITY®** System;

8.1.18. Client Services to provide for the uniform assistance to salons with membership, customer service and related issues. You are required to execute the Salon Client Services Agreement attached to the Franchise Agreement as Exhibit E.

8.1.19. Electronically debiting your clients' accounts for the membership fee and using us or our affiliate to provide EFT services on your behalf.

8.1.20. If required by us, you shall at your sole expense, acquire, license, use and maintain, as the case may be, any computer system, software or other information technology systems and services, including Internet service, meeting our standards and specifications. Your use of our required information technology meeting our standards and specifications may be required and may be necessary to permit you to fully utilize the System, obtain certain services from us, and communication with us, customers, vendors, suppliers and others.

8.2 **PRICING**. We may periodically set a maximum or minimum price that you may charge for products and services offered by the Business. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including the maximum price we impose or down to and including the minimum price we impose but may not charge any price in excess of the maximum price, or below the minimum price, set by us. In addition, we may establish price advertising policies for the products and services. A price advertising policy may impose certain restrictions on your promotion and advertising, including, without limitation, a prohibition on your promoting or advertising at prices that are below our suggested retail price. You agree to comply with any advertising policies regarding pricing that we may establish. You understand and acknowledge that any suggested retail prices and/or price advertising policies we establish would not affect your right to sell our products and services at prices below the suggested retail prices.

8.3 **PROVISIONS OF THIS AGREEMENT**. You agree that the Methods of Operation prescribed from time to time in the Manuals or otherwise communicated by us to you in writing or other tangible form, constitute provisions of this Agreement as if fully set forth herein. All references to this Agreement include all Methods of Operation as periodically modified.

8.4 **MODIFICATION OF METHODS OF OPERATION**. We may periodically modify the Methods of Operations, which may accommodate regional or local variations as we determine, and any such modifications may obligate you to invest additional capital in the Business ("Capital Modifications") and/or incur higher operating costs; *provided, however*, that such modifications will not alter your fundamental status and rights under this Agreement. We will not obligate you to make any Capital Modifications when such investment cannot, in our reasonable judgment, be amortized during the remaining term of this Agreement, unless we agree to extend the term of this Agreement

so that such additional investment, in our reasonable judgment, may be amortized, or unless such investment is necessary in order to comply with applicable laws.

8.5 **SALON REMODELING**. In addition to the periodic upkeep of your Salon required by the Methods of Operation, you will, at our request, refurbish, remodel and update your Salon at your expense to conform to the design, interior layout, trade dress, equipment, signage, fixtures, presentation of the Marks and color schemes of your Salon to those required by our then-current Methods of Operation (a "Salon Remodel"). You must submit preliminary plans (prepared by an approved architect) for the Salon Remodel to us for our review and approval before commencing any work. Once we have approved your preliminary plans, you, at your expense, will have the architect prepare complete drawings and construction plans for the Salon Remodel (the "Full Remodel Plans"). You shall ensure that the Full Remodel Plans comply with all laws, rules, regulations and permit requirements applicable to the location being remodeled. Before applying for a building permit for the Salon Remodel, you shall submit the Full Remodel Plans to us for review and approval. Our approval of the preliminary plans and/or the Full Remodel Plans shall not be deemed to be a warranty or representation as to the quality, sufficiency or legal completeness of such plans. Once we have approved the Full Remodel Plans, you shall complete the Salon Remodel within 180 days. We will not require you to undertake a Salon Remodel within five years of the opening of the Salon or within five years of the last Salon Remodel.

8.6 **COMPLIANCE WITH DATA SECURITY GUIDELINES AND PAYMENT RULES; CYBER-EVENT/IDENTITY THEFT**. You shall use commercially reasonable efforts to protect your clients against a cyber-event, identity theft or theft of personal information. You shall at all times be in compliance with (a) the Payment Card Industry Data Security Standards ("PCI DSS"), (b) the NACHA ACH Security Framework, (c) Payment Rules (as defined below), (d) state and federal laws and regulations relating to data privacy, data security and security breaches and (e) our security policies and guidelines, all as may be amended from time to time (collectively, "Data Security Safeguards"). For purposes of this Article 8.6: "Payment Rules" means the operating rules and regulations of Payment Processors and any applicable Payment Network, as in effect from time to time; "Payment Processors" means all credit card, debit card and/or ACH processors whose services We may require you to utilize, as well as payment gateway service providers; and "Payment Network" means Visa, MasterCard, and any credit or debit card network issuing credit or debit cards or their duly authorized entities, agents, or affiliates, together with NACHA. You are expected to obtain advice from appropriate legal and security consultants to ensure that you operate your **SUN TAN CITY®** business at all times in full compliance with the Data Security Safeguards. In the event of any cyber-event, identity theft, or theft of personal information of a client due to any security breach by you, your agents, or your employees, regardless of whether you were compliant with the Data Security Safeguards, you shall pay us up to a maximum of $200 per record (or such higher amount as we specify from time to time), to offset our out-of-pocket costs and expenses relating to any such cyber- event or security breach (including our costs incurred in responding to and notifying clients).

8.7 **GENERAL CONDUCT**. You will not, and will not allow your employees to, engage in conduct that may result in or tends to (a) degrade, offend, shock or insult the community, (b) ridicule public morals or decency, or (c) prejudice us, our affiliates, the Marks or the System generally. You will (and will ensure that your employees) conduct yourself with due regard to public conventions and morals.

8.8 **UNIFORM IMAGE**. You agree that your Business will offer for sale such services, products, and merchandise related to the **SUN TAN CITY®** concept that we determine from time to time to be appropriate for your Business. You further agree that your Business will not, without our written approval, offer any services or products (including promotional items) not then authorized by us. Your Business may not be used for any purpose, other than the operation of a **SUN TAN CITY®** business in compliance with this Agreement. You agree that your Business will offer courteous and efficient service and a pleasant ambiance, consistent with your acknowledgements in Article 1.2. hereof.

8.9 **PURCHASE OF OTHER PRODUCTS**. You acknowledge and agree that the reputation and goodwill of **SUN TAN CITY®** businesses are based on, and can be maintained only by, the sale of distinctive high-quality services and ancillary merchandise. Therefore, you agree that your Business will use and/or offer for sale only such products, services, merchandise, uniforms and supplies that conform to our specifications and quality standards and/or are purchased from suppliers approved by us (which may include us and/or any of our Affiliates). You acknowledge that we or our affiliate may be the sole supplier for such other products. We may modify the list of approved products and suppliers from time to time. If you propose to use any product and/or supplier which is not then approved by us, you must first notify us and submit sufficient information, specifications and samples concerning such product and/or supplier so that we can decide whether such product complies with our specifications and standards and/or such supplier meets our Approved Supplier criteria. We have the right to charge reasonable fees to cover our costs in reviewing such proposed supplier. We will notify you of our decision within a reasonable period of time. We may prescribe procedures for the submission of requests for approval and impose obligations on suppliers, which we may require to be incorporated in a written agreement. We may impose limits on the number of suppliers and/or brands for any of the foregoing items including designating us or an affiliate as a sole supplier. You must maintain at all times an inventory of approved merchandise related to the **SUN TAN CITY®** concept sufficient in quantity, quality and variety to realize the full potential of your Business. We may conduct market research to determine consumer trends and salability of new services and products. You agree to cooperate by participating in our market research programs, including by testing the marketing of new services and merchandise in your Business and providing us timely reports and other relevant information regarding such market research. You must purchase a reasonable quantity of such test products and make a reasonable effort to sell them.

8.10 **COMPLIANCE WITH LAWS**. You must maintain in force in your name all required license permits and certificates relating to the operation of your Business. You must operate your Business in full compliance with all applicable laws, ordinances and regulations. You must notify us in writing immediately upon the commencement of any legal or administrative action, or the issuance of an order of any court, agency or other governmental instrumentality, which may adversely affect the development, occupancy or operation of your Business or your financial condition; or the delivery of any notice of violation or alleged violation of any law, ordinance or regulation, including those relating to health or sanitation at your Business. All of your advertising and promotion must be completely factual and must conform to the highest standards of ethical advertising. In all dealings with us, as well as your clients, suppliers, lessors and the public, you must adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct. You agree to refrain from any business or advertising practice which may be injurious to our business, to the business of other **SUN TAN CITY®** businesses or to the goodwill associated with the Marks.

8.11 **PERSONNEL**. You are solely responsible for all employment decisions with respect to your personnel, including hiring, firing, compensation, training, supervision and discipline, and regardless of whether you receive input or guidance from us on any of these subjects.

8.12 **INSURANCE**. You must procure and maintain in force from an insurance company with an "A-" or better rating by A.M. Best and a Financial Rating of "VII" or better the following types of primary insurance coverage, with minimum coverage amounts specified by us from time to time: comprehensive commercial general liability insurance with no exclusions for tanning activities or cancer (including completed/operations/product liability, and coverage for any consolidated claims against us and our Affiliates); Special Form property insurance, including fire and extended coverage, vandalism and malicious mischief insurance for 100% of the replacement value of your Business and its contents; and such other insurance policies, such as business interruption insurance, professional liability insurance, abuse and molestation insurance, tanning insurance, employment practices liability insurance, automobile insurance, unemployment insurance, cyber liability insurance covering both data breaches and cybercrime, excess umbrella insurance and workers' compensation insurance (with a broad form all-states endorsement) as we may determine periodically and as required by law. Your insurance must also cover identity theft and theft of personal information, including the costs of notifying members whose information has been compromised. All insurance policies must be issued on an "admitted" basis; contain such types and minimum amounts of coverage, exclusions and maximum deductibles as we prescribe from time to time in our current Franchise Disclosure Document or otherwise in writing from time to time; name us and our Affiliates, including STC Management Group, LLC, STC Franchising, LLC and Sun Tan City, LLC as additional insureds; provide for thirty (30) days prior written notice to us of any material modification, cancellation or expiration of such policy; and include such other provisions as we may require from time to time. You must furnish us with a Certificate of Insurance not less than annually or within five (5) days of renewal. If you fail or refuse to maintain any required insurance coverage, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies hereunder, may obtain such insurance coverage on your behalf. If we do so, you must fully cooperate with us in our effort to obtain such insurance policies and pay us any costs and premiums we incur. Your obligation to maintain insurance coverage is not diminished in any manner by reason of any separate insurance we may choose to maintain, nor does it relieve you of your indemnification obligations under this Agreement.

8.13 **QUALITY CONTROL**. We have the right to establish "quality control" programs, such as a "secret shopper" program, a customer satisfaction measurement program, and/or a "customer intercept" program, to ensure the highest quality of service and products in all **SUN TAN CITY®** businesses. You shall participate in any such quality control programs, and bear your pro-rata share, as determined by us, of the costs of any such program.

8.14 **RECIPROCAL MEMBERSHIP; CLIENT LOYALTY PROGRAM**. You must participate fully in any reciprocal access program and/or customer loyalty program(s) we may establish in our Manuals or otherwise through communications from us, and as modified from time to time. You agree and acknowledge that any reciprocal usage by clients of other franchisees and us or when a person redeems any membership benefits or other customer loyalty program benefits at your Business, you are not entitled to reimbursement for membership fees or the cost of goods or services provided to the member as a reciprocal access member or under any customer loyalty program.

9. MARKETING

9.1 **BY YOU**. You agree to spend annually for advertising and promotion of the Business not less than three percent (3.0%) of Gross Revenue ("Minimum Advertising Expenditure"). Your Local Advertising Cooperative Contribution (as defined in Article 9.5.2), if any, may be counted towards your Minimum Advertising Expenditure.

9.2 **PROOF OF EXPENDITURES**. We may review your books and records from time to time to determine your expenditures for advertising and promotion. Proof of expenditures is nevertheless your burden during the term of this Agreement. If we determine that you have not spent the requisite amounts, we may require you to pay such unexpended amounts into an advertising fund that we will control for the marketing and promotion of your **SUN TAN CITY®** Salon.

9.3 **TRUTHFUL ADVERTISING, MARKETING AND PROMOTION**. You agree that any advertising, promotion and marketing you conduct will be completely clear and factual and not misleading and conform to the highest standards of ethical marketing and the promotion policies which we may prescribe from time to time. Samples of all advertising, promotional and marketing materials which we have not prepared or previously approved must be submitted to us for approval before you use them. If you do not receive written disapproval within fifteen (15) days after our receipt of such materials, we will be deemed to have given the required approval. You may not use any advertising or promotional materials that we have disapproved. We own the copyrights to anything so submitted, whether approved by us or not.

9.4 **NATIONAL ADVERTISING AND MARKETING FUND**.

9.4.1. Establishment of Marketing Fund. Recognizing the value of advertising and marketing to the goodwill and public image of Salons and the System, we have established and administer a national advertising and marketing fund (the "Marketing Fund") for the advertising, marketing, and public relations programs and materials we deem appropriate that will be used nationally, regionally, or locally in our franchise owners' markets. We may incorporate the Marketing Fund or operate it through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties specified in this Article 9.4.

9.4.2. Contributions to Marketing Fund. You agree to contribute to the Marketing Fund a percentage of the Gross Revenue of the Business ("Marketing Fund Contribution") as determined by us from time to time, not to exceed 2% of your Gross Revenue unless a majority of Company and franchise Salons vote to establish a higher contribution rate. Your Marketing Fund Contribution will be in addition to the Minimum Advertising Expenditure specified in Article 9.1. Your Marketing Fund Contribution will be payable in the same manner as the Royalty and remitted by us periodically to the Marketing Fund. Salons owned by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchise owners.

9.4.3. Operation of Marketing Fund. We will direct all programs that the Marketing Fund finances, with sole control over the creative concepts, materials, and endorsements used and their geographic, market, and media placement and allocation. The Marketing Fund periodically will give you samples of advertising, marketing, and promotional formats and materials that we may develop, at no cost to you. We will also make available for purchase from us

multiple copies of these materials at our direct cost of producing them, plus any related shipping, handling, and storage charges.

9.4.4. Use of Marketing Funds. The Marketing Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining our app and website or related websites that promote Salons and/or related strategies; administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, and other media advertising; using advertising, promotion, and marketing agencies and other advisors to provide assistance; and supporting public relations, market research, and other advertising, promotion, and marketing activities. We may use the Marketing Fund to pay the reasonable salaries and benefits of personnel who manage and administer the Marketing Fund, the Marketing Fund's other administrative costs, travel expenses of personnel while they are on Marketing Fund business, meeting costs, overhead relating to Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the Marketing Fund and its programs, including, without limitation, conducting market research; public relations; preparing advertising, promotion, and marketing materials; and collecting and accounting for Marketing Fund Contributions. We will use all interest earned on Marketing Fund Contributions to pay costs before using the Marketing Fund's other assets. We will account for the Marketing Fund separately from our other funds. We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement upon written request. We may have the Marketing Fund audited annually, at the Marketing Fund's expense, by an independent certified public accountant.

9.4.5. No Fiduciary Obligation. The Marketing Fund is not our asset. Although the Marketing Fund is not a trust, we will hold all Marketing Fund Contributions for the benefit of the contributors and use contributions only for the purposes described in this Article 9.4. We do not have any fiduciary obligation for administering the Marketing Fund or for any other reason. The Marketing Fund may spend in any fiscal year more or less than the total Marketing Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use.

9.4.6. No Direct or Proportionate Benefit. The purpose of the Marketing Fund is to maximize recognition of the Marks and patronage of Salons. Although we will try to use the Marketing Fund to develop and place advertising and marketing materials and programs that will benefit all Salons, we cannot ensure that Marketing Fund expenditures in or affecting any geographic area will be proportionate or equivalent to Marketing Fund Contributions by contributors operating in that geographic area, or that any contributor will benefit directly or in proportion to its Marketing Fund Contribution from the development or placement of such advertising and marketing materials.

9.4.7. Legal Proceedings. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund Contributions at the Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the Marketing Fund. Except as expressly provided in this Article 9.4, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the Marketing Fund.

9.4.8. Suspension or Termination of Marketing Fund. We may at any time defer or reduce contributions of a Salon franchise owner and, upon thirty (30) days' prior written notice to you, reduce or suspend Marketing Fund Contributions and operations for one or more periods of any length and terminate (and, if terminated, reinstate) the Marketing Fund. If we terminate the Marketing Fund, we will distribute all unspent monies to our franchise owners, and to us and our affiliates, in proportion to their, and our, respective Marketing Fund Contributions during the preceding twelve (12) month period.

9.5 **LOCAL ADVERTISING COOPERATIVES**.

9.5.1. Establishment of Local Advertising Cooperatives. We reserve the right to establish or direct the establishment of local advertising cooperatives (individually, a "Local Advertising Cooperative") in geographical areas (as determined by us) in which two (2) or more Salons are operating. The Local Advertising Cooperative will be organized and governed by written documents in a form and manner, and begin operating on a date, that we determine in advance. Such written documents will be available for participating Local Advertising Cooperative franchise owners and Company Salon operators to review. We may change, dissolve and merge Local Advertising Cooperatives. Each Local Advertising Cooperative's purpose is, with our approval, to administer advertising programs and develop advertising, marketing and promotional materials for the area that the Local Advertising Cooperative covers. If, as of the time you sign this Agreement, we have established a Local Advertising Cooperative for the geographic area in which the Business is located, or if we establish a Local Advertising Cooperative in that area during this Agreement's term, you agree to sign the documents we require to become a member of the Local Advertising Cooperative and to participate in the Local Advertising Cooperative as those documents require.

9.5.2. Contribution to Local Advertising Cooperative. If we establish a Local Advertising Cooperative in your geographic area pursuant to Article 9.5.1, you agree to participate and contribute your share to such Local Advertising Cooperative ("Local Advertising Cooperative Contribution"). The amount of your Local Advertising Cooperative Contribution will be determined at the time the Local Advertising Cooperative is established, and such amount may be counted against the Minimum Advertising Expenditure specified in Article 9.1. Your Local Advertising Cooperative Contribution will be payable in the same manner as the Royalty and remitted by us periodically to the Local Advertising Cooperative. Your Local Advertising Cooperative Contribution may also be capped based on the provisions of the by-laws adopted by the Local Advertising Cooperative, subject to our approval. Salons owned by us or our affiliates will contribute to their respective Local Advertising Cooperative on the same basis as our franchise owners.

9.5.3. Operation of the Local Advertising Cooperative. Each Salon contributing to a Local Advertising Cooperative will have one (1) vote on matters involving the activities of the particular Local Advertising Cooperative. The Local Advertising Cooperative may not use any advertising, marketing or promotional plans or materials without our prior written consent. We agree to assist in the formulation of marketing plans and programs, which will be implemented under the direction of the Local Advertising Cooperative. You acknowledge and agree that, subject to our approval and subject to availability of funds, the Local Advertising Cooperative will have discretion over the creative concepts, materials and endorsements used by it.

9.5.4. Use of Local Advertising Cooperative Funds. You agree that the Local Advertising Cooperative assessments may be used to pay the costs of preparing and producing video, audio and written advertising and direct sales materials for Salons in your area; purchasing direct mail and other media advertising for Salons in your area; implementing direct sales programs; and employing marketing, advertising and public relations firms to assist with the development and administration of marketing programs for Salons in your area. The monies collected by us on behalf of a Local Advertising Cooperative will be accounted for separately by us from our other funds and will not be used to defray any of our general operating expenses. You agree to submit to us and the Local Advertising Cooperative any reports that we or the Local Advertising Cooperative require.

9.5.5. No Direct or Proportionate Benefit. You understand and acknowledge that your Business might not benefit directly or in proportion to its contribution to the Local Advertising Cooperative from the development and placement of advertising and the development of marketing materials. Local Advertising Cooperatives for Salons will be developed separately, and no cooperative will be intended to benefit the others. We will have the right, but not the obligation, to use collection agents and to institute legal proceedings to collect amounts owed to the Local Advertising Cooperative on behalf of and at the expense of the Local Advertising Cooperative and to forgive, waive, settle and compromise all claims by or against the Local Advertising Cooperative. Except as expressly provided in this Article 9.5, we assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the Local Advertising Cooperative.

9.6 **INTERNET WEBSITE, SOCIAL MEDIA AND OTHER DIGITAL OR ELECTRONIC MARKETING**. You specifically acknowledge and agree that any internet website, website application, social media site or channel (such as, but not limited to, Facebook, Pinterest, LinkedIn, foursquare, Vine, TikTok, Google+, Instagram, YouTube, Snapchat, Threads, and X accounts or sites) and other digital or electronic marketing channels or media, whether now existing or hereafter created (collectively "Electronic Channels"), are deemed "advertising" under this Agreement and will be subject to all provisions of the Agreement governing advertising. In connection with any Electronic Channel, you agree to the following:

9.6.1. If required by us, you shall not establish a separate Electronic Channel, but shall only have one or more Electronic Channel page(s), as designated by us, within our Electronic Channel;

9.6.2. If we approve, in writing, a separate Electronic Channel for you, then each of the following provisions shall apply:

9.6.2.1 You shall not establish or use the Electronic Channel without our prior written approval.

9.6.2.2 Before establishing the Electronic Channel, you shall submit to us, for our prior written approval, a sample of the proposed Electronic Channel domain name, format, visible content (including proposed screen shots), and non-visible content (including meta tags) in the form and manner we may reasonably require; and you shall not use or modify such Electronic Channel without our prior written approval as to such proposed use or modification.

9.6.2.3 In addition to any other applicable requirements, you shall comply with our standards and specifications for websites as prescribed by us from time to time in the Manuals or otherwise in writing.

9.6.2.4 If required by us, you shall establish such hyperlinks or other link or connection to our Electronic Channel(s) and others as we may request in writing.

9.6.2.5 Upon expiration or termination of the Franchise, you shall cease use of any Electronic Channel associated with the Salon and assign to us or, at our election, delete any domain name, or other Electronic Channel page, name or site containing any of the Marks or any words or combinations of words, letters or symbols that are confusingly or deceptively similar to any of the Marks.

9.7 **SHORT MESSAGE SERVICES/TEXT MESSAGING**. We do not recommend or endorse any third-party provider of shared short code text messaging services. You expressly understand and agree that we do not evaluate the security or scrubbing capabilities of any such third-party providers, or their compliance with laws governing the use of text messaging. Consequently, if you choose to use a third-party provider of shared short code messaging services ***you do so entirely at your own risk***. You are prohibited from in any way creating the impression that we have approved, endorsed or recommended the third party's services. This includes rendering any service to or acting in concert with anyone that uses a third-party provider of shared short code services. You shall indemnify and hold us harmless from and against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including attorneys' fees, that are incurred by, or awarded against us, arising out of or related to, or alleged to have arisen out of or related to, in whole or part from (i) your use of short code text messaging services or (ii) your non-compliance with laws governing the use of text messaging. You hereby release us, our affiliates and our respective members, officers, employees, agents, successors and assignees from all liabilities, obligations, claims, debts, demands, costs, expenses or causes of action, whether known or unknown, which you have or may have, by yourself or on behalf, of or in conjunction with, any other persons or entities, related to the use of third party text messaging services.

10. RECORDS, REPORTS AND FINANCIAL STATEMENTS

10.1 **BOOKKEEPING**. You agree to establish and maintain at your own expense a bookkeeping, accounting and record keeping system conforming to the requirements and formats we prescribe from time to time. We may require you to use approved computer hardware and software in order to maintain certain sales data and other information. You agree to furnish to us, upon our request, on such forms that we prescribe from time to time, without limitation, as follows:

10.1.1. Within fifteen (15) days after their filing, copies of all signed sales and federal excise tax returns and signed withholding tax returns for the Business;

10.1.2. Within fifteen (15) days after the end of each calendar month, a profit and loss statement for the Business for the immediately preceding calendar month and a year-to-date balance sheet as of the end of such month in our approved format. We will use this information to initiate either a draft from your bank account or withhold the amount from the EFT drafts that we collect on your behalf for the Royalty. We have the right to access your system at

any time and we have the right to retrieve material or to upload material to your computer systems without prior notice;

10.1.3. Within sixty (60) days after the end of your fiscal year, reviewed annual profit and loss and source and use of funds statements and a reviewed balance sheet for the Business as of the end of such fiscal year, which will be signed by you or your principal operating officer, operating partner or Supervisor and in our approved format; and

10.1.4. Within ten (10) days after our request, exact copies of federal and state income and other tax returns and such other forms, records, books and other information we may periodically require.

10.2 **VERIFICATION; DISCLOSURE**. You agree to verify and sign each report and financial statement in the manner we prescribe. We have the right to disclose data derived from such reports without identifying you, the Salon or the Business. We also have the right to require you to have reviewed or audited financial statements prepared on an annual basis. Moreover, we have the right, as often as we deem appropriate, including on a daily basis, to access the point-of-sale system and other computer systems that you are required to maintain in connection with the operation of the Business and to retrieve all information relating to the Business's operations.

11. INSPECTION AND AUDITS

11.1 **OUR RIGHT TO INSPECT THE BUSINESS**. To determine whether you and the Business are complying with this Agreement and the Methods of Operation, we and our designated agents have the right at any time during your regular business hours, and without prior notice to you, to:

11.1.1. Inspect the Business;

11.1.2. Observe, photograph and videotape the operations of the Business for such consecutive or intermittent periods as we deem necessary;

11.1.3. Remove samples of any products, materials or supplies for testing and analysis;

11.1.4. Interview personnel and clients of the Business;

11.1.5. Inspect and copy any books, records and documents relating to your operation of the Business; and

11.1.6. Retrieve such data and information from your computer system or computer systems which are used or licensed by you, such as the EFT processing platform or accounting platform, including obtaining such information from third parties or vendors.

11.2 **COOPERATION**. You agree to cooperate with us fully in connection with any such inspections, observations, photographing, videotaping, product removal and interviews. You agree to present to your clients such evaluation forms that we periodically prescribe and to participate and/or request your clients to participate in any surveys performed by us or on our behalf.

11.3 **OUR RIGHT TO AUDIT**. We have the right at any time during your business hours, and without prior notice to you, to inspect and audit, or cause to be inspected and audited, you (if you are a corporation, partnership or other business entity), the Business, bookkeeping and accounting records,

sales and income tax records and returns and other records. You agree to cooperate fully with our representatives and independent accountants we hire to conduct any such inspection or audit. In the event such inspection or audit is made necessary by your failure to furnish reports, supporting records or other information as herein required, or to furnish such items on a timely basis, you agree to reimburse us for the reasonable cost of such inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. Also, in the event an inspection or audit reveals that any payments have been understated in any report to us, then you shall immediately pay to us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the highest contract rate of interest permitted by law. If an inspection or audit discloses an understatement in any report of two percent (2%) or more, you shall, in addition to repayment of monies owed with interest, reimburse us for any and all costs and expenses connected with the inspection or audit, including, without limitation, the charges of attorneys and independent accountants and the travel expenses, room and board and compensation of our employees. The foregoing remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. TRANSFER

12.1 **BY US**. This Agreement is fully transferable by us and will inure to the benefit of any transferee or other legal successor to our interests herein.

12.2 **BY YOU**. You understand and acknowledge that the rights and duties created by this Agreement are personal to you (or, if you are a corporation, partnership, or other business entity, to your owners) and that we have granted the Franchise to you in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, business ability, acumen and financial capacity. Accordingly, neither this Agreement (or any interest therein) nor any ownership or other interest in you or the Business, including any arrangement whereby you sell or pledge accounts receivable, EFT, or any other assets of the Business, may be transferred without our prior written approval. Our approval is conditioned on the prospective transferee agreeing to sign this or the then-current form of franchise agreement with us at our discretion. Any transfer without such approval constitutes a breach of this Agreement and is void and of no effect. As used in this Agreement, the term "transfer" includes your (or your owners') voluntary, involuntary, direct or indirect assignment ("Assignment"), sale, gift or other disposition of any interest in:

12.2.1. This Agreement;

12.2.2. You; or

12.2.3. The Business.

12.3 **ASSIGNMENT, ETC.** An Assignment, sale, gift or other disposition includes the following events:

12.3.1. Transfer of ownership of capital stock, partnership interest, membership interest, or other equity interest in you;

12.3.2. Merger or consolidation or issuance of additional securities representing an ownership interest in you;

12.3.3. Any issuance or sale of your stock or any security convertible to your stock to any person or entity other than an existing owner;

12.3.4. Transfer of an interest in you, this Agreement or the Business in a divorce, insolvency or corporate, partnership or other business entity dissolution proceeding, or otherwise by operation of law;

12.3.5. Transfer of an interest in you, this Agreement or the Business, in the event of your death or the death of one of your owners, by will, declaration of or transfer in trust or under the laws of intestate succession; or

12.3.6. Pledge of this Agreement (to someone other than us) or of an ownership interest in you as security, foreclosure upon the Business or your transfer, surrender or loss of possession, control or management of the Business.

12.4 **CONDITIONS FOR APPROVAL OF TRANSFER**. If you (and your owners) are in full compliance with this Agreement, then subject to the other provisions of this Article 12, we will not unreasonably withhold approval of a transfer that meets all the applicable requirements of this Article. A transfer of ownership, possession or control of the Business may be made only in conjunction with a transfer of this Agreement. If the transfer is of this Agreement or a controlling interest in you, or is one of a series of transfers which in the aggregate constitute the transfer of this Agreement or a controlling interest in you, all of the following conditions must be met prior to or concurrently with the effective date of the transfer:

12.4.1. The transferee, and its direct or indirect owners, must be individuals of good moral character, skill, aptitude, attitude, experience, references, credentials, acumen and financial capacity and otherwise meet our then applicable standards to operate the Business;

12.4.2. You have paid all Royalties, advertising fees, amounts owed for purchases from us and all other amounts owed to us or to third party creditors and have submitted all required reports and statements;

12.4.3. The transferee (or its managing shareholder, managing member, partner or Supervisor) has agreed to complete training to our satisfaction and does complete training to our satisfaction prior to the transfer of ownership;

12.4.4. The transferee has agreed to be bound by all of the terms and conditions of this Agreement for the remainder of its Term or, at our option, must execute our then-current standard form of Franchise Agreement and related documents used in the state in which your Business is located (which may provide for different royalties, advertising, contributions and expenditures, duration and other rights and obligations than those provided in this Agreement);

12.4.5. You pay us a transfer fee in the amount of Five Thousand Dollars ($5,000.00) to defray expenses we incur in connection with the transfer, including the costs of training the transferee (or its managing shareholder, managing member, partner or Supervisor) and its other personnel, reasonable legal fees and administrative costs incurred, and our reasonable out-of-pocket expenses, including, without limitation, travel, meals, lodging and other investigative expenses involved in meeting with or qualifying the transferee. If the proposed transferee is among your owners, Article 12.4.5 will not apply, although you are required to reimburse us for any reasonable legal and administrative costs we incur in connection with the transfer;

12.4.6. You (and your transferring owners) have executed a general release, in form satisfactory to us (see Exhibit J to the Franchise Disclosure Document), of any and all claims against us and our shareholders, offices, directors, employees and agents;

12.4.7. We have approved the material terms and conditions of such transfer;

12.4.8. If you or your owners finance any part of the sale price of the transferred interest, you and/or your owners have agreed that all of the transferee's obligations pursuant to any promissory notes, agreements or security interests that you or your owners have reserved in the Business are subordinate to the transferee's obligations to pay Royalties and other amounts due to us and otherwise to comply with this Agreement;

12.4.9. You and your transferring owners have executed an agreement in favor of us agreeing to be bound, commencing on the effective date of the transfer, by the restrictions contained in Articles 15.2., 15.3., and 15.4. hereof; and

12.4.10. You and your transferring owners have agreed that you and they will not directly or indirectly at any time or in any manner (except with respect to other **SUN TAN CITY®** Salons you own and operate) identify yourself or themselves or any business as a current or former **SUN TAN CITY®** business, or as one of our licensees or franchisees, use any Marks, any colorable imitation thereof or other indicia of a **SUN TAN CITY®** business in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that suggests or indicates a connection or association with us.

12.5 **TRANSFER TO A WHOLLY-OWNED ENTITY**. Notwithstanding Article 12.4., if you are in full compliance with this Agreement, you may transfer this Agreement to an entity which conducts no business other than the Business and, if applicable, other **SUN TAN CITY®** Salons, in which you maintain managing control and of which you own and control one hundred percent (100%) of the equity and voting power of all issued and outstanding securities or interests, and further provided that all assets of the Business are owned, and the entire business of the Business is conducted, by a single entity. Transfers of shares in such corporation will be subject to the provisions of Article 12.4. Notwithstanding anything to the contrary herein, you agree to remain liable under this Agreement as if the transfer to such entity had not occurred.

12.6 **TRANSFER UPON YOUR DEATH OR DISABILITY**. Upon your death or permanent disability or, if you are a corporation, partnership or other business entity, the death or permanent disability of the owner of a controlling interest in you, your or such owner's executor, administrator, conservator, guardian or other personal representative must transfer your interest in this Agreement or such owner's interest in you to a third party. Such disposition of this Agreement or the interest in you (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability and will be subject to all of the terms and conditions applicable to transfers contained in this Article. A failure to transfer your interest in this Agreement or the ownership interest in you within this period of time constitutes a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent you or an owner of a controlling interest in you from managing and operating the Business for a period of three (3) months from the onset of such disability, impairment or condition.

12.7 **OPERATION UPON YOUR DEATH OR DISABILITY**. If, upon your death or permanent disability or the death or permanent disability of the owner of a controlling interest in you, the Salon is not being managed by a trained Salon Director, your or such owner's executor, administrator, conservator, guardian or other personal representative must within a reasonable time, not to exceed fifteen (15) days from the date of death or permanent disability, appoint a Salon Director to operate the Salon. Such Salon Director will be required to successfully complete training at your expense within sixty (60) days of being appointed to operate the Business.

12.8 **EFFECT OF CONSENT TO TRANSFER**. Our consent to a transfer of this Agreement and the Business or any interest in you does not constitute a representation as to the fairness of the terms of any contract between you and the transferee, a guarantee of the prospects of success of the Business or transferee or a waiver of any claims we may have against you (or your owners) or of the right to demand the transferee's exact compliance with any of the terms or conditions of this Agreement.

12.9 ***BONA FIDE* OFFERS**. If you (or any of your owners) at any time determine to sell, assign or transfer for consideration an interest in this Agreement and the Business or an ownership interest in you, then you (or such owner) agree to obtain a *bona fide*, executed written offer and earnest money deposit (in the amount of five percent (5%) or more of the offering price) and a completed franchise application from a fully disclosed offeror (including lists of the owners of record and beneficially of any corporate or limited liability company offeror and all general and limited partners of any partnership offeror and, in the case of a publicly held corporation or limited partnership, copies of the most current annual and quarterly reports and Form 10-K) and immediately submit to us a true and complete copy of such offer, which includes details of the payment terms of the proposed sale. To be a valid, *bona fide* offer, the proposed purchase price must be denominated in a U.S. dollar amount. The offer must apply only to an interest in you or in this Agreement and the Business and may not include an offer to purchase any of your (or your owners') other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or in this Agreement and the Business must reflect the *bona fide* price offered therefor and not reflect any value for any other property or rights. However, if the offeror proposes to buy any other property or rights from you (or your owners) under a separate, contemporaneous offer, such separate, contemporaneous offer must be disclosed to us, and the price and terms of purchase offered to you (or your owners) for the interest in you or in this Agreement and the Business must reflect the *bona fide* price offered therefor and not reflect any value for any other property or rights. Any Transfer in violation of our right of first refusal is null and void.

12.10 **OUR RIGHT OF FIRST REFUSAL**. We have the right, exercisable by written notice delivered to you or your selling owners within thirty (30) days from the date of the delivery to us of both an exact copy of such *bona fide* offer and all other information we request, to purchase such interest for the price and on the terms and conditions contained in such *bona fide* offer, provided that:

12.10.1. We may substitute cash for any form of payment or non-cash consideration proposed in such offer;

12.10.2. Our credit will be deemed equal to the credit of any proposed purchaser;

12.10.3. We will have not less than sixty (60) days after giving notice of our election to purchase to prepare for closing; and

12.10.4. We are entitled to receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the capital stock of an incorporated business, as applicable, including, without limitation, representations and warranties as to:

12.10.4.1 Ownership and condition of and title to stock or other forms of ownership interest and/or assets;

12.10.4.2 Liens and encumbrances relating to the stock or other ownership interest and/or assets; and

12.10.4.3 Validity of contracts and the liabilities, contingent or otherwise, of the corporation, partnership or other business entity whose stock, membership interests or assets are being purchased.

12.11 **EXERCISE**. If we exercise our right of first refusal, you and your selling owner(s) agree that, for a period of twenty-four (24) months commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in Article 15.5. You and your selling owner(s) further agree that you and they will, during this same time period, abide by the restrictions of Article 12.4.10 of this Agreement.

12.12 **NON-EXERCISE**. If we do not exercise our right of first refusal, you or your owners may complete the sale to such purchaser pursuant to and on the exact terms of such *bona fide* offer, subject to our approval of the transfer as provided in Articles 12.2, 12.3, and 12.4. If the sale to such purchaser is not completed within one hundred twenty (120) days after delivery of such *bona fide* offer to us, or if there is a material change in the terms of the sale (which you agree promptly to communicate to us), the sale will be treated as a new sale subject to our right of first refusal as provided in Article 12.10.

13. EXPIRATION OF THIS AGREEMENT

13.1 **ACQUISITION OF A SUCCESSOR FRANCHISE**. Upon expiration of the term of this Agreement, if you (and each of your owners) have substantially complied with this Agreement during its term, and provided that:

13.1.1. You maintain possession of and agree to remodel and/or expand the Business, add or replace improvements, equipment and signs and otherwise modify the Business as we require to bring it into compliance with specifications and standards then applicable for a **SUN TAN CITY®** Salon; or

13.1.2. If you are unable to maintain possession of the Salon, or if in our judgment the Business should be relocated, you secure substitute premises we approve, develop such premises in compliance with specifications and standards then applicable for a **SUN TAN CITY®** Salon and continue to operate the Business at the same site, as the case may be, until operations are transferred to the substitute premises, then, subject to the terms and conditions set forth in this Article 13, you will have the right to acquire a successor franchise to operate the Business as a **SUN TAN CITY®** Salon on the terms and conditions of the Franchise Agreement we are then using in granting successor franchises for **SUN TAN CITY®** businesses;

13.1.3. You are not in default of any provision of this Agreement or any other agreement between you and us or our affiliates and you must have substantially complied with all the terms and conditions of this Agreement during its term including timely payments of all monies owed, provided that we previously communicated to you any defaults hereunder; and

13.1.4. In either case (Article 13.1.1 or 13.1.2), you shall pay to us a successor franchise fee of Five Thousand Dollars ($5,000.00).

13.2 **GRANT OF SUCCESSOR FRANCHISE**. You agree to give us written notice of your election to acquire a successor franchise during the last year of the term of this Agreement but not less than ten (10) months prior to the date of expiration of this Agreement. We agree to give you written notice ("Our Notice"), not more than ninety (90) days after we receive your notice, of our decision, in accordance with Article 13.1:

13.2.1. To grant you a ten (10) year successor franchise;

13.2.2. To grant you a successor franchise on the condition that deficiencies of the Business, or in your operation of the Salon, are corrected; or

13.2.3. Not to grant you a successor franchise based on our determination that you and your owners have not substantially complied with this Agreement during its term.

13.3 **OUR NOTICE**. If applicable, Our Notice will:

13.3.1. Describe the remodeling and/or expansion of the Salon and other improvements or modifications required to bring the Salon into compliance with then applicable specifications and standards for a **SUN TAN CITY®** Salon; and

13.3.2. State the actions you must take to correct operating deficiencies and the time period in which such deficiencies must be corrected.

13.4 **NO GRANT**. If we elect not to grant a successor franchise, Our Notice will describe the reasons for our decision. Your right to acquire a successor franchise is subject to your continued compliance with all of the terms and conditions of this Agreement through the date of its expiration, in addition to your compliance with the obligations described in Our Notice.

13.5 **90-DAY CURE**. If Our Notice states that you must cure certain deficiencies of the Business or its operation as a condition to the grant of a successor franchise, we will give you written notice of a decision not to grant a successor franchise, based upon your failure to cure such deficiencies, not less than ninety (90) days prior to the expiration of this Agreement; provided however, that we will not be required to give you such notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the one hundred eighty (180) day period prior to its expiration. If we fail to give you notice of (i) deficiencies in the Business, or in your operation of the Business, within ninety (90) days after we receive your timely election to acquire a successor franchise; or (ii) our decision not to grant a successor franchise at least ninety (90) days prior to the expiration of this Agreement, if such notice is required, then in either instance, we may extend the term of this Agreement for such period of time as is necessary to provide you with either reasonable time to correct deficiencies or the ninety (90) day notice of our refusal to grant a successor franchise required hereunder.

13.6 **AGREEMENTS/RELEASES**. If you satisfy all of the other conditions to the grant of a successor franchise, you and your owners agree to execute the then current form of Franchise Agreement and any ancillary agreements we are then customarily using in connection with the grant of a franchise. You and your owners acknowledge that the then current form of Franchise Agreement and ancillary agreements may include materially different terms than this Agreement and the current ancillary agreements used by us. You and your owners further agree to execute our then-current general release, in form satisfactory to us (our current form of release is included as Exhibit J to the Franchise Disclosure Document), of any and all claims against us and our members, officers, employees, agents, successors and assigns. Failure by you or your owners to sign such agreements and releases and deliver them to us for acceptance and execution within sixty (60) days after their delivery to you will be deemed an election not to acquire a successor franchise.

14. TERMINATION OF AGREEMENT

14.1 **BY YOU**. If you and your owners are in compliance with this Agreement and we materially fail to comply with this Agreement and do not correct such failure within sixty (60) days after written notice of such material failure is delivered to us, you may terminate this Agreement effective thirty (30) days after delivery to us of written notice of termination. Your attempted termination of this Agreement for any other reason or without such notice will be deemed null and void.

14.2 **BY US**. We have the right to terminate this Agreement, effective upon delivery of written notice of termination to you, if:

14.2.1. You (or your managing shareholder, managing member partner, or Supervisor) fail to successfully complete initial training to our satisfaction within the required periods;

14.2.2. You fail to begin operating the Salon within (i) ninety (90) days of your signing a lease for your Salon; or (ii) ten (10) days of completion of construction of the Salon, whichever is later;

14.2.3. You abandon or actively fail to operate the Salon for three (3) or more consecutive days, unless the Salon has been closed for a purpose we have approved;

14.2.4. You surrender or transfer control of the operation of the Business without our prior written consent;

14.2.5. You (or any of your owners) have made any material misrepresentation or omission in connection with your purchase of the Franchise;

14.2.6. You (or any of your owners) are or have been convicted by a trial court of, or plead or have pled guilty or no contest to, a felony or any crime involving moral turpitude;

14.2.7. You (or any of your owners) engage in any dishonest or unethical conduct which may adversely affect the reputation of the Business or another **SUN TAN CITY®** Salon or the goodwill associated with the Marks;

14.2.8. You (or any of your owners) make an unauthorized assignment of this Agreement or of an ownership interest in you or the Business;

14.2.9. In the event of your death or permanent disability or the death or permanent disability of one or more of your owners, this Agreement or such owner's interest in you is not assigned as herein required;

14.2.10. You lose the right to possession and use for the Salon;

14.2.11. You (or any of your owners) make any unauthorized use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Manuals in violation of this Agreement;

14.2.12. You violate any health, safety, sanitation or other applicable law, ordinance or regulation and do not immediately begin to cure the noncompliance or violation, and correct such noncompliance or violation within twenty-four (24) hours after written notice thereof is delivered to you;

14.2.13. You fail to make payments of any amounts due to us and do not correct such failure within seven (7) days after written notice of such failure is delivered to you;

14.2.14. You fail to pay when due any federal or state income, service, sales, employment related or other taxes due on the operation of the Business, unless you are, in good faith, legally contesting your liability for such taxes;

14.2.15. You (or any of your owners) fail to comply with any other provision of this Agreement or the Methods of Operation and do not correct such failure within thirty (30) days after written notice of such failure to comply is delivered to you;

14.2.16. You (or any of your owners) fail on three (3) or more separate occasions within any period of twelve (12) consecutive months to submit when due reports or other data, information or supporting records, to pay when due any amounts due to us or otherwise to comply with this Agreement, whether or not such failure to comply were corrected after written notice of such failure was delivered to you;

14.2.17. You make an assignment for benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee or liquidator of all or the substantial part of your property; the Business or any of its assets is attached, seized, subjected to a writ or distress warrant or levied upon; unless such attachment, seizure, writ, warrant or levy is vacated within thirty (30) days; or any order appointing a receiver, trustee or liquidator of you or the Business is not vacated within thirty (30) days following the entry of such order;

14.2.18. A Salon Director or Supervisor is not appointed within fifteen (15) days after your death or permanent disability or the death or permanent disability of an owner, or such Salon Director or Supervisor fails to complete our training within sixty (60) days after being appointed;

14.2.19. You fail to comply with the covenant not to compete set forth in Article 7; or

14.2.20. You fail to comply with any confidentiality provisions in this Agreement or any other agreements with us or our affiliates.

We have no obligation whatsoever to refund any portion of the franchise fee upon any termination of this Agreement.

14.3 **OUR RIGHT TO OPERATE THE BUSINESS**. If we issue you a notice of default and you fail to cure such default within any applicable time period, we have the right, without the obligation, and without waiving our right to terminate this Agreement as a result of such failure, to assume the operation of the Business for such length of time as we determine in our business judgment. You authorize us to operate the Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Business during such period of operation by us shall be accounted for separately and the expenses of the Business, including travel, food, lodging, and salaries of our representatives who operate the Business, shall be charged to such account. You shall indemnify us and our representatives from any and all claims arising from the acts and omissions of us and our representatives pursuant to this Article 14.3.

14.4 **ALTERNATIVES TO TERMINATION**. In addition to our rights under Article 14.3, if we issue you a notice of default and you fail to cure such default within any applicable time period, we have the right in our business judgment, without the obligation, and without waiving our right to terminate this Agreement as a result of such failure, to temporarily or permanently limit, curtail, or remove certain services or benefits provided or required to be provided to you hereunder, including, but not limited to:

14.4.1. restricting your or any of your staff's attendance at any training, meetings, workshops, or conventions;

14.4.2. replacing the Royalty in Article 3.2 of this Agreement and/or any other Royalty section contained in any franchise agreement between you (or any of your Owners) and us or our affiliates with the Royalty offered in our then current franchise agreement;

14.4.3. refusing to sell or furnish to you any advertising or promotional materials;

14.4.4. refusing to provide you with ongoing advice about the operation of the Business;

14.4.5. refusing any of your requests to approve a new supplier or the use of any advertising or promotional materials; and

14.4.6. refusing to permit you to enter into a new franchise agreement for a **SUN TAN CITY®** Salon business at any other location.

You shall hold us harmless with respect to any action we take pursuant to this Article 14.4; and you agree that we shall not be liable for any loss, expense, or damage you incur because of any action we take pursuant to this Article 14.4. Nothing in this Article 14.4 constitutes a waiver of any of our rights or remedies under this Agreement or any other agreement between us and you, including the right to terminate this Agreement. You agree that our exercise of our rights pursuant to this Article 14.4 shall not be deemed a constructive termination of this Agreement or of any other agreement between us and you and shall not be deemed a breach of any provision of this Agreement. We may, in our business judgment, reinstate any services or benefits removed, curtailed, or limited pursuant to this Article 14.4, and you agree to accept immediately any such reinstatement of services or benefits so removed, curtailed, or limited. If we limit any services or benefits under this Article 14.4, you shall continue to pay timely all fees and payments required

under this Agreement and any other agreement between us and you, including any fees associated with services or benefits limited by us. You shall have no right to a refund of any fees paid in advance for such services or benefits.

15. OUR AND YOUR RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THIS AGREEMENT

15.1 **PAYMENT OF AMOUNTS OWED TO US**. You agree to pay us within fifteen (15) days after the effective date of termination, for any reason, or expiration of this Agreement, or on such later date that the amounts due to us are determined, such Royalties, amounts owed for purchases from us, interest due on any of the foregoing and all other amounts owed to us which are then unpaid.

15.2 **MARKS**. Upon the termination, for any reason, or expiration of this Agreement:

15.2.1. You may not, directly or indirectly, at any time or in any manner (except with respect to other **SUN TAN CITY®** Salons you own and operate) identify yourself or any business as a current or former **SUN TAN CITY** business, or as one of our licensees or franchisees, use any Marks, any colorable imitation thereof or other indicia of a **SUN TAN CITY®** franchise in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that indicates or suggests a connection or association with us;

15.2.2. You agree to take such action as may be required to cancel all fictitious or assumed names or equivalent registration to your use of any Marks;

15.2.3. If we do not exercise our option to purchase the Business pursuant to Article 15.6., then you agree to deliver to us within thirty (30) days after the Notification Date (as defined in Article 15.6) all signs, sign-faces, sign-cabinets, marketing materials, forms, packaging and other materials containing any Marks or otherwise identifying or relating to a **SUN TAN CITY®** Salon and allow us, without liability to you or third parties, to remove all such items from the Salon;

15.2.4. If we do not exercise our option to purchase the Business pursuant to Article 15.6., then you agree that, after the Notification Date, you will promptly and at your own expense make such alterations as we may specify to distinguish the Business clearly from its former appearance and from other **SUN TAN CITY®** businesses so as to prevent confusion therewith by the public;

15.2.5. If we do not exercise our option to purchase the Business pursuant to Article 15.6, you agree that, after the Notification Date, you will notify the telephone company and all telephone directory publishers of the termination or expiration of your right to use any telephone, telecopy, e-mail address, or other numbers and any regular, classified or other telephone directory listings associated with any Marks, authorize the transfer of such numbers and directory listings to us or at our direction and/or instruct the telephone company to forward all calls made to your telephone numbers to numbers we specify; and

15.2.6. You agree to furnish us, within thirty (30) days after the Notification Date, with evidence satisfactory to us of your compliance with the foregoing obligations.

15.3 **DE-BRANDING**. You agree that, upon termination of this Agreement, for any reason, or expiration of this Agreement, you will immediately comply with our then-current de-branding checklist, which shall require you to, among other things:

15.3.1. Remove and destroy all interior and exterior signage, point of sale materials, business forms, and stationery received from us;

15.3.2. Delete from all computer hard drives all materials, information, communications, manuals, and marketing and promotion materials received from us;

15.3.3. Remove all trade dress and cover over all painting containing the **SUN TAN CITY**®name, slogans, or color scheme;

15.3.4. Promptly instruct all third-party internet sites and telephone directories to remove all listings identifying the location as a **SUN TAN CITY**®;

15.3.5. Notify all existing clients in a letter approved by us describing the clients' rights and options;

15.3.6. Return all sales materials, operations manuals, and other items that contain any Confidential Information;

15.3.7. Cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks;

15.3.8. Change your corporate or legal business name, if necessary, so that it does not contain any of the Marks; and

15.3.9. Return to us all signs, sign-faces, sign-cabinets, marketing materials, forms, packaging, and other materials that contain any of the Marks.

15.4 **CONFIDENTIAL INFORMATION**. You agree that, upon termination, for any reason, or expiration of this Agreement, you will immediately cease to use any of our Confidential Information in any business or otherwise and return to us all copies of the Manuals and any other confidential materials including, without limitation, computer software and any mechanisms (electronic key) used to access the software, that we have allowed you to use.

15.5 **POST-TERM COVENANT NOT TO COMPETE**. You and your Owners covenant that, except as otherwise approved in writing by us, you and your Owners shall not, for a continuous, uninterrupted period of twenty four (24) months commencing upon the date of (a) a transfer permitted under Article 12 of this Agreement, (b) expiration of this Agreement where no successor franchise is granted (regardless of the reason for not granting a successor franchise) under Article 13 of this Agreement, (c) termination or non-renewal of this Agreement (regardless of the cause for termination or non-renewal) under Article 14 of this Agreement, or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Article 15.5; either directly or indirectly, for yourself or your immediate family, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business (as defined in Article 7.2) that is, or is intended to be, located

15.5.1. at the location of your Salon;

15.5.2. within five (5) miles of the Salon; or

15.5.3. within five (5) miles of any other **SUN TAN CITY®** Salon in operation or under construction as of the date that you are required to comply with this Article 15.5.

You agree and acknowledge that the twenty-four (24) month period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

The restrictions in this Article 15.5 do not apply to: (a) your interests in or operation of a **SUN TAN CITY®** business under a written Franchise Agreement with us; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over- the-counter market and that represent less than five percent (5%) of that class of securities.

15.6 **REASONABLE SCOPE OF COVENANTS**. You and your Owners acknowledge that the scope of the restrictions in Article 15.5 are reasonable and necessary to protect us, the Confidential Information, and the System, and that such restrictions are designed solely to prevent you from taking information, materials, training, and know-how that we provided to you and using them to compete with us. In addition, your operation of a Competitive Business in violation of Article 15.5 would necessarily involve your use of Confidential Information that would result in an unfair competitive advantage vis-à-vis other **SUN TAN CITY®** franchisees. You further acknowledge that you and your Owners possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcement of the covenant in Article 15.5 will not deprive you or your Owners of personal goodwill or the ability to engage in a lawful trade or business and earn a living.

15.7 **REDUCTION OF SCOPE OF COVENANT**. You and your Owners understand and acknowledge that we shall have the right, in our business judgment, to reduce the scope of any covenant set forth in Article 15.5, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you and your Owners agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable.

15.8 **COVENANT NOT TO COMPETE UPON EXERCISE OF RIGHT OF FIRST REFUSAL**. If we exercise our right of first refusal pursuant to the provisions of Article 12, you and your selling Owner(s) agree that, for a period of two (2) years commencing on the date of the closing, you and they will be bound by the noncompetition covenant contained in this Article 15.

15.9 **COMMENCEMENT BY ORDER**. If any person restricted by this Article refuses voluntarily to comply with the foregoing obligations, the Restriction Period will commence with the entry of an order of an arbitrator, or court if necessary, enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting such skills. Consequently, enforcement of the covenants in this Article will not deprive you of your personal goodwill or ability to earn a living.

15.10 **OUR RIGHT TO PURCHASE THE BUSINESS**.

15.10.1. Exercise of Option. Upon termination or expiration of this Agreement in accordance with its terms and conditions or your termination of this Agreement without cause, we have the option, exercisable by giving written notice thereof to you within sixty (60)

days from the date of such termination or expiration, to purchase the Business from you, including the leasehold rights to the Salon, free and clear of all liens, restrictions or encumbrances. The date on which we notify you whether or not we are exercising our option is referred to in this Agreement as the "Notification Date". We have the unrestricted right to assign this option to purchase the Business. We will be entitled to all customary warranties and representations in connection with our asset purchase, including, without limitation, representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise.

15.10.2. Leasehold Rights. You agree, at our election, to assign your leasehold interest in the Salon to us or, to enter into a sublease for the remainder of the lease term on the same terms (including renewal options) as the prime lease.

15.10.3. Purchase Price. The purchase price for the Business will be its fair market value, determined in a manner consistent with reasonable depreciation of the Business' equipment, signs, inventory, materials and supplies, provided that the Business will be valued as an independent business and its value will not include any value for the Franchise or any rights granted by this Agreement, the Marks, or participation in the network of **SUN TAN CITY®** businesses.

15.10.4. Fair Market Value. The Business' fair market value will include the reasonable goodwill you developed in the Area since your commencement of operations that exists independent of the goodwill of the Marks and the System. The length of the remaining terms of the lease for the Salon will also be considered in determining the Business' fair market value.

15.10.5. Exclusions. We may exclude from the assets purchased hereunder cash or its equivalent and any equipment, signs, inventory, materials and supplies that are not reasonably necessary (in function or quality) to the Business' operation or that we have not approved as meeting our standards, and the purchase price will reflect such exclusions.

15.10.6. Appraisal. If we and you are unable to agree on the Business' fair market value, its fair market value will be determined by three (3) independent appraisers who collectively will conduct one (1) appraisal. We will appoint one appraiser, you will appoint one appraiser and the two appointed appraisers will appoint the third appraiser. You and we agree to select our respective appraisers within fifteen (15) days after the date we determine that we are unable to agree on the Business' fair market value, and the two appraisers so chosen are obligated to appoint the third appraiser within fifteen (15) days after the date on which the last of the two party appointed appraisers was appointed. You and we will bear the cost of our own appraisers and share equally the reasonable fees and expenses of the third appraiser chosen by the two party appointed appraisers. You and we will take reasonable actions to cause the appraisers to complete their appraisal within thirty (30) days after the third appraiser's appointment.

15.10.7. Closing. The purchase price will be paid at the closing of the purchase, which will take place not later than ninety (90) days after determination of the purchase price. We have the right to set off against the purchase price, and thereby reduce the purchase price by, any and all amounts you or your owners owe to us or our affiliates.

15.10.8. Instruments. At the closing, you agree to deliver instruments transferring:

15.10.8.1 Good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all sales and other transfer taxes paid by you;

15.10.8.2 All licenses and permits of the Business which may be assigned or transferred; and

15.10.8.3 The leasehold interest in the Salon and improvements thereon.

15.10.9. Escrow. If you cannot deliver clear title to all of the purchased assets, or if there are other unresolved issues, the closing of the sale will, at our election, be accomplished through an escrow arrangement with an independent escrow agent selected by us.

15.10.10. Releases. You and your owners agree to execute our then-current general release, in form satisfactory to us (our current form of release is included as Exhibit J to the Franchise Disclosure Document), of any and all claims against us and our affiliates and their members, officers, directors, employees, agents, successors and assigns.

15.11 **CONTINUING OBLIGATIONS**. All of our and your (and your owners' and affiliates') obligations which expressly or by their nature survive the expiration or termination of this Agreement will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement and until they are satisfied in full or by their nature expire.

16. RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

16.1 **INDEPENDENT CONTRACTORS**. Neither this Agreement nor the dealings of the parties pursuant to this Agreement shall create any fiduciary relationship or any other relationship of trust or confidence between the parties hereto. Franchisor and Franchisee, as between themselves, are and shall be independent contractors. If applicable law shall imply a covenant of good faith and fair dealing in this Agreement, the parties hereto agree that such covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply such covenant, we and you acknowledge and agree that (a) this Agreement (and the relationship of the parties which arises from this Agreement) grants us the right to make decisions, take actions and/or refrain from taking actions not inconsistent with your explicit rights and obligations hereunder that may affect favorably or adversely your interests; (b) we will use our judgment in exercising such rights based on our assessment of our own interests and balancing those interests against the interests of the owners of **SUN TAN CITY®** businesses generally (including ourselves, our affiliates and other franchisees), and specifically without considering your individual interests or the individual interests of any other particular franchisee; (c) we will have no liability to you for the exercise of our rights in this manner so long as such rights are not exercised in bad faith toward you; and (d) in the absence of such bad faith, no trier of fact in any legal action or arbitration proceeding shall substitute its judgment for our judgment so exercised. Nothing contained in this Agreement, or arising from the conduct of the parties hereunder, is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose whatsoever. You must conspicuously identify yourself in all dealings with customers, lessors, contractors, suppliers, public officials, employees and others as the owner of your Business and must place such other notices of independent ownership on such forms, business cards, stationery, advertising and other materials as we may require from time to time. You may not make

any express or implied agreements, warranties, guarantees or representations or incur any debt in our name or on our behalf or represent that the relationship of the parties hereto is anything other than that of independent contractors. We will not be obligated by or have any liability under any agreements made by you with any third party or for any representations made by you to any third party. We will not be obligated for any damages to any person or property arising directly or indirectly out of the operation of your business hereunder.

16.2 **NO LIABILITY FOR ACTS OF OTHER PARTY**. You agree not to employ any of the Marks in signing any contract or applying for any license or permit, or in a manner that may result in our liability for any of your indebtedness or obligations, and that you will not use the Marks in any way we have not expressly authorized. Neither we nor you will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other, represent that our respective relationship is other than franchisor and franchisee or be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized in writing. We will not be obligated for any damages of any nature whatsoever to any person or property directly or indirectly arising out of the operation of the Business or the business you conduct pursuant to this Agreement.

16.3 **TAXES**. We will have no liability for any sales, use, service, occupation, excise, employment related, gross receipts, income, property or other taxes, whether levied upon you or the Business, in connection with the Business you conduct (except any taxes we are required by law to collect from you with respect to purchases from us). Payment of all such taxes is your sole responsibility. Unless the tax is credited against income tax otherwise payable by us, you agree to pay all state and local taxes, including, without limitation, sales, use, service, occupation, employment related, excise, gross receipts, income, property or other taxes, that may be imposed on us as a result of our receipt or accrual of the initial franchise fee, royalty fees, advertising fees, extension fees, and all other fees that are referenced in this Agreement, whether assessed against you through withholding or other means or whether paid by us directly. In such event, you will pay to us (or to the appropriate governmental authority) such additional amounts as are necessary to provide us, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that we would have received or accrued had such withholding or other payment, whether by you or by us, not been required. Notwithstanding anything to the contrary in this Agreement, this provision does not apply to taxes imposed on us by the state or municipality where we have our principal place of business.

16.4 **INDEMNIFICATION**. In addition to and not in lieu of any similar provision in this Agreement, you and each of the Guarantors identified in Exhibit A to this Agreement, agree to indemnify, exculpate, defend and hold harmless us, our affiliates and our respective members, officers, employees, agents, successors and assignees (collectively, the "Indemnified Parties" and each an "Indemnified Party") from and against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including attorneys' fees, that are incurred by, or awarded against, an Indemnified Party (collectively, "Losses"), arising out of or related to, or alleged to have arisen out of or related to, in whole or part, any one or more of the following: (i) the infringement, alleged infringement or any other violation by you, your Guarantors or principals of any patent, mark, copyright, or other proprietary right owned or controlled by third parties due to your unauthorized use of all or any portion of the Marks and/or System; (ii) the violation, breach, or asserted violation or breach by you, your Guarantors or principals of any federal, state, or local law, regulation, ruling or industry standard; (iii) libel, slander, or any other form of defamation by you or your Guarantors or principals; (iv) the violation or breach by

you or by any of your Guarantors or principals of any warranty, representation, agreement, covenant or obligation of this Agreement or in any other agreement between you and us or our affiliates; (v) any cyber-event, identity theft or theft of personal information of a client due to any security breach by you, your employees or agents; or (vi) acts, errors, omissions of you, any of your affiliates, any of your principals, officers, directors, shareholders, agents, representatives, independent contractors, and employees of you and your affiliates in connection with the establishment and operation of the Business, including, but not limited to, any acts, errors, or omissions of any of the foregoing in the operation of any motor vehicle or in the establishment or implementation of security for the Business. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. We have the right to defend any such claim against us at your expense and you shall promptly reimburse us. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. Notwithstanding anything to the contrary in this Section 16.4, you are not obligated to indemnify or defend an Indemnified Party against any third-party claim if such third-party claim or corresponding Losses (and then only to the extent that) are determined to be caused solely, according to a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction, by the Indemnified Party's: (a) gross negligence or willful misconduct or (b) bad faith failure to materially comply with any of its material obligations set forth in this Agreement.

16.5 **MITIGATION NOT REQUIRED**. Under no circumstances will we or any other Indemnified Party be required to seek recovery from any insurer or other third party, or otherwise to mitigate our, their or your losses and expenses, in order to maintain and recover fully a claim against you. You agree that a failure to pursue such recovery or mitigate a loss will in no way reduce or alter the amounts we or another Indemnified Party may recover from you.

17. ENFORCEMENT AND MISCELLANEOUS MATTERS

17.1 **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS**. Except as expressly provided to the contrary herein, each provision of this Agreement, and any portion thereof, will be considered severable, and if, for any reason, any such provision is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which we are a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, which will continue to be given full force and effect and bind the parties hereto, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if you are a party thereto, otherwise upon your receipt from us of a notice of non-enforcement thereof.

17.2 **LESSER COVENANT ENFORCEABLE**. If any covenant herein which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited and/or length of time, but would be enforceable by reducing any part or all thereof, you and we agree that such covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law is applicable to the validity of such covenant.

17.3 **GREATER NOTICE**. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice than is required hereunder of the termination of this Agreement or of our refusal

to enter into a successor franchise agreement, or the taking of some other action not required hereunder, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any of the Methods of Operation is invalid or unenforceable the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions hereof and we will have the right in our sole discretion to modify such invalid or unenforceable provision or unenforceable part of the Methods of Operation to the extent required to be valid and enforceable. You agree to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof as though it were separately articulated in and made part of this Agreement, that may result from striking from any of the provisions hereof, or any part of the Methods of Operation, any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which we are a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless we elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

17.4 **WAIVER OF OBLIGATIONS**. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice thereof to the other or such other effective date stated in the notice of waiver. Any waiver we grant will be without prejudice to any other rights we may have, will be subject to our continuing review and may be revoked, in our sole discretion, at any time and for any reason, effective upon delivery to you of ten (10) days' prior written notice.

17.5 **NON-WAIVER**. We and you will not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including without limitation the right to demand exact compliance with every term, condition and covenant herein or to declare any breach thereof to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of any custom or practice at variance with the terms hereof; our or your failure, refusal or neglect to exercise any right under this Agreement or to insist upon exact compliance by the other with our and your obligations hereunder including without limitation the Methods of Operation; our waiver, forbearance, delay, failure, or omission to exercise any right, power or option whether of the same, similar or different nature with respect to any other **SUN TAN CITY®** business; the existence of other franchise agreements for **SUN TAN CITY®** businesses which contain different provisions from those contained herein; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will constitute a waiver, compromise, settlement or accord and satisfaction. We are authorized to remove or obliterate any legend or endorsement, and such legend or endorsement will have no effect.

17.6 ***FORCE MAJEURE***. With the exception of your obligation to pay to us any sums when due, neither we nor you will be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations is not our or your fault and results from:

17.6.1. Transportation shortages, inadequate supply of equipment, products, merchandise, supplies, labor, material or energy or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any federal, state or municipal government or any department or agency thereof;

17.6.2. Acts of nature;

17.6.3. Pandemics;

17.6.4. Fires, strikes, embargoes, war or riot; or

17.6.5. Any other similar event or cause.

17.7 **EXTEND PERFORMANCE**. Any delay resulting from any of said causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that said causes will not excuse payments of amounts owed at the time of such occurrence or payment of Royalties and advertising contributions due on any sales thereafter.

17.8 **OUT-OF-STOCK AND DISCONTINUED MERCHANDISE**. We are not liable to you for any loss or damage, or deemed to be in breach of this Agreement, if we cannot deliver, or cause to be delivered, or if our affiliates or designated sources or approved suppliers cannot deliver, all of your orders for products, merchandise, equipment, supplies, etc., where such things are out-of-stock or discontinued.

17.9 **COSTS AND ATTORNEYS' FEES**. If we incur expenses in connection with your failure to pay when due amounts to us, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, you agree to reimburse us for any of the costs and expenses which we incur, including, without limitation, reasonable accounting, attorneys', arbitrators' and related fees.

17.10 **YOU MAY NOT WITHHOLD PAYMENTS DUE TO US**. You agree that you will not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations hereunder. You agree that all such claims will, if not otherwise resolved by us, be submitted to arbitration as provided in Article 17.12.

17.11 **RIGHTS OF PARTIES ARE CUMULATIVE**. Our and your rights hereunder are cumulative, and no exercise or enforcement by us or you of any right or remedy hereunder will preclude our or your exercise or enforcement of any other right or remedy hereunder which we or you are entitled by law to enforce.

17.12 **ARBITRATION**. WE AND YOU AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO:

17.12.1. THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES);

17.12.2. OUR RELATIONSHIP WITH YOU OR YOUR OWNERS;

17.12.3. THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES) OR ANY PROVISION O F ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS ARTICLE 19, WHICH WE AND YOU

ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT); OR

17.12.4. ANY SYSTEM STANDARD

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS OTHERWISE PROVIDED IN THIS ARTICLE 17, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR IN OR WITHIN FIFTY (50) MILES OF OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, ELIZABETHTOWN, KENTUCKY). ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 *ET SEQ*.). JUDGMENT UPON THE ARBITRATOR'S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

17.12.5. THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING, WITHOUT LIMITATION, MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE17.15, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (WE AND YOU HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE 17.15, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER).

17.12.6. WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH PARTY MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER YOU OR US. WE RESERVE THE RIGHT, BUT HAVE NO OBLIGATION, TO ADVANCE YOUR SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED OUR RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH ARTICLE 17.9.

17.12.7. WE AND YOU AGREE THAT ANY ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS ONLY AS TO A SINGLE FRANCHISEE, NOT BY OR THROUGH AN ASSOCIATION OR ON A CLASS-WIDE BASIS AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES), MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS ARTICLE 17.12.7, IF ANY ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS ARTICLE 17.2, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH ARTICLE 17 (EXCLUDING THIS ARTICLE 17.2.7).

17.12.8. DESPITE OUR AND YOUR AGREEMENT TO ARBITRATE, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION; *PROVIDED, HOWEVER*, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS ARTICLE 17.

17.12.9. YOU AND WE AGREE THAT, IN ANY ARBITRATION ARISING AS DESCRIBED IN THIS ARTICLE, REQUESTS FOR DOCUMENTS SHALL BE LIMITED TO DOCUMENTS THAT ARE DIRECTLY RELEVANT TO SIGNIFICANT ISSUES IN THE CASE OR TO THE CASE'S OUTCOME; SHALL BE RESTRICTED IN TERMS OF TIME FRAME, SUBJECT MATTER AND PERSONS OR ENTITIES TO WHICH THE REQUESTS PERTAIN; AND SHALL NOT INCLUDE BROAD PHRASEOLOGY SUCH AS "ALL DOCUMENTS DIRECTLY OR INDIRECTLY RELATED TO." YOU AND WE FURTHER AGREE THAT THERE SHALL BE NO INTERROGATORIES OR REQUESTS TO ADMIT. WITH RESPECT TO ANY ELECTRONIC DISCOVERY, YOU AND WE AGREE THAT:

17.12.9.1 PRODUCTION OF ELECTRONIC DOCUMENTS NEED ONLY BE FROM SOURCES USED IN THE ORDINARY COURSE OF BUSINESS. NO SUCH DOCUMENTS SHALL BE REQUIRED TO BE PRODUCED FROM BACK-UP SERVERS, TAPES OR OTHER MEDIA;

17.12.9.2 THE PRODUCTION OF ELECTRONIC DOCUMENTS SHALL NORMALLY BE MADE ON THE BASIS OF GENERALLY AVAILABLE TECHNOLOGY IN A SEARCHABLE FORMAT WHICH IS USABLE BY THE PARTY RECEIVING THE DOCUMENTS AND CONVENIENT AND ECONOMICAL FOR THE PRODUCING PARTY. ABSENT A

SHOWING OF COMPELLING NEED, THE PARTIES NEED NOT PRODUCE METADATA, WITH THE EXCEPTION OF HEADER FIELDS FOR EMAIL CORRESPONDENCE;

17.12.9.3 THE DESCRIPTION OF CUSTODIANS FROM WHOM ELECTRONIC DOCUMENTS MAY BE COLLECTED SHALL BE NARROWLY TAILORED TO INCLUDE ONLY THOSE INDIVIDUALS WHOSE ELECTRONIC DOCUMENTS MAY REASONABLY BE EXPECTED TO CONTAIN EVIDENCE THAT IS MATERIAL TO THE DISPUTE; AND

17.12.9.4 WHERE THE COSTS AND BURDENS OF ELECTRONIC DISCOVERY ARE DISPROPORTIONATE TO THE NATURE OF THE DISPUTE OR TO THE AMOUNT IN CONTROVERSY, OR TO THE RELEVANCE OF THE MATERIALS REQUESTED, THE ARBITRATOR SHALL EITHER DENY SUCH REQUESTS OR ORDER DISCLOSURE ON CONDITION THAT THE REQUESTING PARTY ADVANCE THE REASONABLE COST OF PRODUCTION TO THE OTHER SIDE, SUBJECT TO ALLOCATION OF COSTS IN THE FINAL AWARD AS PROVIDED HEREIN.

17.12.10. IN ANY ARBITRATION ARISING OUT OF OR RELATED TO THIS AGREEMENT, EACH SIDE MAY TAKE THREE DISCOVERY DEPOSITIONS. EACH SIDE'S DEPOSITIONS ARE TO CONSUME NO MORE THAN A TOTAL OF 15 HOURS. THERE ARE TO BE NO SPEAKING OBJECTIONS AT THE DEPOSITIONS, EXCEPT TO PRESERVE PRIVILEGE. THE TOTAL PERIOD FOR THE TAKING OF DEPOSITIONS SHALL NOT EXCEED SIX WEEKS.

17.12.11. SURVIVAL. THE PROVISIONS OF THIS ARTICLE ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD-PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION.

17.12.12. COSTS AND ATTORNEYS' FEES. THE PREVAILING PARTY IN ANY ACTION OR PROCEEDING ARISING UNDER, OUT OF, IN CONNECTION WITH, OR IN RELATION TO THIS AGREEMENT WILL BE ENTITLED TO RECOVER ITS REASONABLE COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES, ARBITRATOR'S FEES AND EXPERT WITNESS FEES, COSTS OF INVESTIGATION AND PROOF OF FACTS, COURT COSTS, AND OTHER ARBITRATION OR LITIGATION EXPENSES) INCURRED IN CONNECTION WITH THE CLAIMS ON WHICH IT PREVAILED.

17.12.13. PERFORMANCE TO CONTINUE. UNLESS WE EXERCISE OUR RIGHT TO TERMINATE THIS AGREEMENT, EACH PARTY MUST CONTINUE TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT PENDING FINAL RESOLUTION OF ANY DISPUTE PURSUANT TO THIS ARTICLE 17, UNLESS TO DO SO WOULD BE IMPOSSIBLE OR IMPRACTICABLE UNDER THE CIRCUMSTANCES.

17.12.14. TOLLING OF STATUTE OF LIMITATIONS. ALL APPLICABLE STATUTES OF LIMITATION AND DEFENSES BASED ON THE PASSAGE OF TIME ARE TOLLED WHILE THE DISPUTE RESOLUTION PROCEDURES IN THIS ARTICLE 17.12 ARE PENDING. THE PARTIES WILL TAKE SUCH ACTION, IF ANY, REQUIRED TO EFFECTUATE SUCH TOLLING.

17.13 **GOVERNING LAW**. All matters relating to arbitration will be governed by the FEDERAL ARBITRATION ACT (9 U.S.C. §§ *et. seq.*). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *et. seq.*) or other federal law, this Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of the Commonwealth of Kentucky, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Article.

17.14 **CONSENT TO JURISDICTION**. Subject to Article 17.12, you and your owners agree that if either party commences an action, it must be in state or federal court of general jurisdiction in Kentucky, and you (and each owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or he or she) may have to either the jurisdiction of or venue in such courts.

17.15 **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTIONS**. Except with respect to your obligation to indemnify us pursuant to Article 16.4. and 16.5 and claims we bring against you for your unauthorized use of the Marks or unauthorized use or disclosure of any Confidential Information, we and you and your respective owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us. This waiver is effective even if a court of competent jurisdiction decides that the arbitration provision in this Article 17 is unenforceable. We each waive to the fullest extent possible under the law our respective rights to bring against the other or any affiliate or the other any claims denominated as a class action, consolidated action, or joint action, whether or not permitted under applicable court rules. Each party acknowledges that it has had a full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

17.16 **BINDING EFFECT**. This Agreement is binding upon us and you and our respective executors, administrators, heirs, beneficiaries, assigns and successors in interest and may not be modified except by written agreement signed by you and us.

17.17 **LIMITATIONS OF CLAIMS**. Except for claims arising from your nonpayment or underpayment of amounts you owe us pursuant to this Agreement or claims related to your unauthorized use of the Marks, any and all claims arising out of or relating to this Agreement or our relationship with you will be barred unless a judicial or arbitration proceeding is commenced within one (1) year from the date on which the party asserting such claim knew or should have known of the facts giving rise to such claims.

17.18 **CONSTRUCTION**. The preambles and exhibits are a part of this Agreement which, together with the Manuals and our other written policies, constitute our and your entire agreement as to the subject

matter of this Agreement, and there are no other oral or written understandings or agreements between us and you relating to the subject matter of this Agreement, except that (i) you acknowledge that we justifiably have relied on your representations made prior to the execution of this Agreement as set forth in Article 1 and (ii) we have provided you with a Franchise Disclosure Document before you executed this Agreement. Except as contemplated by the arbitration provisions of Article 17.12, nothing in this Agreement is intended, nor is deemed, to confer any rights or remedies upon any person or legal entity not a party hereto. Notwithstanding anything in this Article 17.18 or otherwise in this Agreement to the contrary, nothing in this Agreement or in any related agreement you enter into with us is intended to disclaim the representations we have made in the Franchise Disclosure Document.

17.19 **WITHHOLD APPROVAL**. Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed or effected actions that require our approval.

17.20 **HEADINGS**. The headings of the several Articles hereof are for convenience only and do not define, limit or construe the contents of such Articles.

17.21 **WE, US, OUR**. Unless expressed to the contrary, references in this Agreement to "we", "us", and "our" with respect to all of our rights and all of your obligations to us under this Agreement, will be deemed to include any of our affiliates with whom you deal. The term "affiliate" as used herein with respect to you or us, means any person or entity directly or indirectly owned or controlled by, under common control with or owning or controlling all or a portion of you or us. For purposes of this definition, "control" means the power to direct or cause the direction of management and policies.

17.22 **JOINT AND SEVERAL OWNERS' LIABILITY**. If two or more persons are at any time the owner of the Business hereunder, whether as partners, joint venturers or otherwise, their obligations and liabilities to us will be joint and several. References to "owner" mean any person holding a direct or indirect, legal or beneficial ownership interest or voting rights in you (or a transferee of this Agreement and the Business or an interest in you), including without limitation, any person who has a direct or indirect interest in you (or a transferee), this Agreement, the Franchise or the Business, and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in the revenue, profits, rights or assets thereof.

17.23 **"BUSINESS"**. The term "Business" as used herein includes all of the assets, of any nature whatsoever, of the **SUN TAN CITY®** Franchise you operate pursuant to this Agreement, including its revenue and income.

17.24 **MULTIPLE COPIES; ELECTRONIC OR FACSIMILE SIGNATURES**. This Agreement may be executed in two or more counterparts, each of which together shall be deemed an original, but all of which together shall constitute one and the same instrument. In the event that any signature is delivered electronically, by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if an original thereof.

17.25 **"CORPORATION OR PARTNERSHIP"**. The term "corporation or partnership" as used herein to describe your business entity shall, if applicable, include reference to your formation as a limited

liability company, limited liability partnership, or any other type of limited liability or other business entity.

17.26 **ANTI-TERRORISM LAWS**. You acknowledge that it is our intent to comply with all anti-terrorism laws enacted by the U.S. Government, including but not limited to the USA PATRIOT ACT or Executive Order 13324. You acknowledge that you are not now, nor have you ever been, a suspected terrorist or otherwise associated directly or indirectly with terrorist activity. At any time during the term of this Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the U.S. Government, then this Agreement may be terminated immediately. You and your Owners represent and warrant that neither you nor your Owners are on Office of Foreign Assets Control (OFAC) list of "Specially Designated Nationals and Blocked Persons." You and your Owners further represent that you have not made any unlawful expenditures or bribes of government officials (for Foreign Corrupt Practices Act purposes).

17.27 **RIGHT TO INFORMATION**. You consent to us obtaining, using and disclosing to third parties (including, without limitation, financial institutions, legal and financial advisors, and prospective franchisees), for any purpose we specify or as may be required by law, all financial and other information (including, without limitation, membership data and client lists) contained in or resulting from information, data, materials, statements and reports related, directly or indirectly, to the Business.

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

18. NOTICES AND PAYMENTS

18.1 **NOTICES**. All written notices and reports permitted or required to be delivered by the provisions of this Agreement or the Manuals will be deemed as delivered:

18.1.1. At the time delivered by hand;

18.1.2. One (1) business day after transmission by email, facsimile or other electronic system, provided there is evidence of receipt;

18.1.3. One (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of receipt; or

18.1.4. Three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

18.2 **PAYMENTS**. All payments required to be delivered by the provisions of this Agreement or the Manuals will be deemed so delivered as provided in Article 18.1, and will be deemed delivered by EFT or bank-wire transfer upon telephone or electronic confirmation with the receiving bank.

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

THIS CONTRACT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

STC FRANCHISING, LLC

By:_____

Printed Name:_____

Title:_____

Dated:_____

[OWNER CORPORATION, PARTNERSHIP OR OTHER BUSINESS ENTITY]

By:_____

Printed Name:_____

Title:_____

Dated:_____

EXHIBIT A

TO THE FRANCHISE AGREEMENT
BETWEEN STC FRANCHISING, LLC AND
[_____]

DATED [_____], 20[__]

Effective Date: This Exhibit A is current and complete as of [_____], 20[__]

OWNERSHIP ADDENDUM
You and Your Owners

RESPONSIBLE OWNER. The name and home address of the Responsible Owner is as follows: _____

_____

PROPRIETORSHIP. Your owner(s) (is/are) as follows: _____

_____

CORPORATION, PARTNERSHIP OR LIMITED LIABILITY COMPANY (LLC). You were incorporated or formed on [_____], 20[__], under the laws of the State of [_____].

You have not conducted business under any name other than your corporate, LLC, or partnership name and [_____]. The following is a list of your directors, if applicable, and officers, members, managers, or partners as of the effective date shown above:

Name of Each Director/Officer/Manager	**Position(s) Held**
_____	_____
_____	_____

OWNERS. The following list includes the full names and mailing address of each person who is one of your owners (as defined in the Franchise Agreement) and fully describes the nature of each owner's interest.

Owner's Name and Address	**Description of Interest**
_____	_____
_____	_____

STC FRANCHISING, LLC

By:_____
Printed Name:_____
Title:_____
Dated:_____

[CORPORATION, PARTNERSHIP OR OTHER BUSINESS ENTITY]

By:_____
Printed Name:_____
Title:_____
Dated:_____

EXHIBIT B

TO THE FRANCHISE AGREEMENT BETWEEN STC FRANCHISING, LLC AND [_____]

DATED [_____], 20[__]

OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the **SUN TAN CITY®** Franchise Agreement dated as of [_____] (the "Agreement"), by and between STC Franchising, LLC ("Franchisor") and [_____] ("Franchisee"), each of the undersigned Owners in Franchisee hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement ("Guaranty"), that Franchisee shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Franchisee made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement (and any amendments), by Franchisee and/or any Owner including, without limitation, the confidentiality obligations and non-competition covenants in Articles 7 and 15 of the Agreement.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right the undersigned may have to require that an action be brought against Franchisee or any other person as a condition of liability; (e) notice of any amendment to the Agreement; and (f) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

Each of the undersigned consents and agrees that: (i) undersigned's direct and immediate liability under this guaranty shall be joint and several; (ii) the undersigned shall render any payment or performance required under the Agreement upon demand if Franchisee fails or refuses to do so punctually; (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 the 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 until satisfied in full. It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of our successors and assigns.

This is a guaranty of payment and not of collection. This is an absolute, unconditional, primary, and continuing obligation and will remain in full force and effect until, and shall terminate (as "terminate" is used in Kentucky Revised Statutes § 371.065) on the earlier of the following: (i) all of the obligations have been indefeasibly paid in full, and Franchisor has terminated this Guaranty; or (ii) ten (10) years after the date of the Agreement; *provided, however*, that termination of this Agreement on such termination date shall not affect in any manner the liability of Guarantor with respect to (1) the obligations which are created or incurred prior to such termination date, or (2) extension or renewals of, interest accruing on, or fees, costs or expenses incurred with respect to, such prior obligations prior to, on or after such termination date.

This Guaranty shall be governed by the enforcement, governing law and dispute resolution provisions set forth in Article 17 of the Agreement and notice and payment provisions set forth in Article 18 of the Agreement.

IN WITNESS WHEREOF, each of the undersigned Owners has affixed their signature effective as of the same day and year as the Agreement was executed.

GUARANTOR(S)

_____
(Print Name)

_____
(Print Name)

_____
(Print Name)

EXHIBIT C

TO THE FRANCHISE AGREEMENT BETWEEN STC FRANCHISING, LLC AND [_____]

DATED [_____], 20[__]

EXHIBIT TO LEASE
SUN TAN CITY FRANCHISOR'S LEASE ADDENDUM

To the extent any terms contained in this Exhibit shall conflict with the body of the Lease, the terms of this Exhibit shall govern.

1. Landlord agrees to deliver copies of any and all notices required or permitted hereby or by the Lease (to Tenant) to Franchisor at Sun Tan City, Attn: Legal Department, 445 E. Market Street, Suite 310, Louisville, KY 40202 or such other address as Franchisor shall specify by written notice to Landlord.

2. Tenant hereby assigns to Franchisor, with Landlord's consent, all of Tenant's rights, title and interest to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment shall be effective unless: (a) the Franchise Agreement is terminated or expires without renewal; and (b) Franchisor notifies the Tenant and Landlord in writing that Franchisor assumes Tenant's obligations under the Lease.

3. Franchisor shall have the right, but not the obligation, upon giving written notice of its election to Tenant and Landlord, to cure any breach of the Lease and, if so stated in the notice, to also succeed to Tenant's rights, title and interests thereunder.

4. Tenant and Landlord acknowledge and agree that Franchisor shall have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Article 2 or 3 above.

5. If Franchisor assumes the Lease as provided for in Article 2 or 3 above, Landlord and Tenant agree that (a) Tenant will remain liable for the responsibilities and obligations, including amounts owed to Landlord, prior to, and subsequent to, the date of assignment and assumption, and (b) Franchisor will have the right to sublease the Premises to another franchisee of Franchisor (a "New Operator"), pursuant to all of the terms of the Lease governing same and as set forth herein, provided the New Operator agrees to operate the Premises as a Sun Tan City business pursuant to a Franchise Agreement with Franchisor and assumes all of the Tenant's obligations under the Lease in writing. Franchisor will be responsible for the Lease obligations incurred after the effective date of the assignment.

6. Landlord and Tenant hereby acknowledge that Tenant has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the Location for certain purposes to the extent said purposes are not inconsistent with the terms of the Lease. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Tenant hereby further acknowledge that in the event the Franchise Agreement expires (without renewal) or is terminated, Tenant is obligated to take certain steps under the Franchise Agreement to de-identify the location as a Sun Tan City business. Landlord agrees to permit Franchisor, its employees or agents, to enter the Location and remove signs, decor and materials displaying any marks, designs or logos owned by Franchisor, provided Franchisor shall bear the expense of repairing any damage to the Location as a result

thereof and if subsequent to the expiration or earlier termination of the Lease Term, Franchisor shall give advance written notice of its intent to enter the Location (which in any event shall be completed no more than thirty (30) days subsequent to said expiration or earlier termination), shall coordinate same with Landlord, and shall pay the Rent which would be due for such additional period under the Lease if it had not been terminated until such time as Franchisor removes its' property.

7. Landlord agrees to allow Tenant to remodel, equip, paint and decorate the interior and exterior of the Premises pursuant to the terms of the Franchise Agreement and any successor Franchise Agreement under which Tenant may operate the business at the Premises, subject to the terms of the Lease governing same.

8. Franchisor is a third-party beneficiary under this Addendum.

9. References to the Lease and the Franchise Agreement include all amendments, addenda, extensions and renewals to such documents.

10. References to the Landlord, Tenant and Franchisor include the successors and assigns of each of the parties, subject to the terms of the Lease.

EXHIBIT D

TO THE FRANCHISE AGREEMENT
BETWEEN STC FRANCHISING, LLC AND
[_____]

DATED [_____], 20[__]

SECURITY AGREEMENT

(Covers Inventory and Proceeds Only to Extent of Open Account)

SUN TAN CITY® Salon

_____
_____
_____
(Address of Salon)

This Addendum, when accepted by you will become a Security Agreement (the "Security Agreement") supplementing the **SUN TAN CITY®** Franchise Agreement dated [_____], 20[__], (the "Franchise Agreement") and covering the **SUN TAN CITY®** franchise located at [_____] (the "Business"), between the undersigned debtor(s), jointly and severally if more than one ("FRANCHISEES"), whose principal place of business is [_____], and the STC Franchising, LLC, the secured party ("FRANCHISOR"), whose principal local office is located at 101 Catalog Drive, Elizabethtown, Kentucky 42701.

FRANCHISOR Agrees to subordinate this Security Agreement to FRANCHISEES' primary bank lender in an amount not to exceed [_____] ($[__]) Dollars.

1. FRANCHISEES hereby grant a continuing security interest for the benefit of FRANCHISOR upon all of the present and hereafter acquired inventory and all proceeds thereof, and all present and hereafter acquired rights, title and interest relating to the Business, including, but not limited to, all premium and going concern value, if any, of the Business, and FRANCHISEE'S right, if any, to effect a premium sale, and all proceeds thereof. The term "inventory" includes all goods held for sale at the Business (including all goods and supplies customarily classified as inventory and all such chattels hereafter acquired by FRANCHISEES by way of substitution, replacement, return, repossession or otherwise); and all additions and accessories thereto (and the resulting product or mass); and any documents of title representing any thereof. For the purposes of this Security Agreement, the term "proceeds" shall mean whatever is received when collateral, inventory, premium or going concern value, or proceeds is sold, exchanged, collected, or otherwise disposed of, and includes any account arising when the right to payment is earned under a contract right, and shall include cash proceeds consisting of money, checks, and the like. FRANCHISOR'S security interest shall attach to all of the foregoing without further act on FRANCHISOR'S or FRANCHISEES' part. Upon FRANCHISOR'S request, FRANCHISEES will, from time to time, at FRANCHISEES' expense, pledge and deliver such inventory to FRANCHISOR or to a third party as FRANCHISOR'S bailee; or hold the same in trust for FRANCHISOR'S account; or store the same in a warehouse in FRANCHISOR'S name; or deliver to FRANCHISOR documents of title representing the same; or evidence FRANCHISOR'S security interest in some other acceptable manner.

The advances made and to be made hereunder are primarily to enable FRANCHISEES to purchase the inventory required for the operation of the Business; and since such advances will be used for the foregoing purpose, FRANCHISOR'S security interest shall be deemed to be a purchase money security interest.

2. FRANCHISOR'S security interest shall secure: (i) any advances which FRANCHISOR may make hereunder or under the Franchise Agreement; (ii) any other indebtedness which FRANCHISEES may from time to time owe to FRANCHISOR, fixed or contingent, whether arising under the Franchise Agreement or after the expiration or termination thereof as provided therein, or otherwise arising or acquired by FRANCHISOR; and (iii) all interest, commissions, expenses and other items chargeable against FRANCHISEES by reason of any of the foregoing. The term "advances" means monies paid to FRANCHISEES or to others for FRANCHISEES' account, or obligations to third parties incurred by FRANCHISOR at FRANCHISEES' request.

3. FRANCHISEES agree that the making of advances is always wholly discretionary on FRANCHISOR'S part, and that FRANCHISOR shall be the sole judge of the amount of such advances and of the total of such advances to be outstanding at any particular time. All such advances shall be repayable on demand as, and bear interest at the rate, specified in the Franchise Agreement.

4. FRANCHISEES warrant, covenant, and agree that: (i) all inventory, and all premium and going concern value, if any, is and shall remain free from all purchase money or other liens or encumbrances except such as are held by FRANCHISOR; (ii) FRANCHISOR shall have the right at all times to immediate possession of all inventory and its proceeds, and to inspect the inventory and FRANCHISEES' records pertaining thereto; (iii) all excise, floor, sales and any other taxes that may be assessed upon or paid by FRANCHISOR with respect to any of the inventory shall be charged to and paid by FRANCHISEES, and FRANCHISEES agree to indemnify FRANCHISOR against loss by reason of any such taxes. FRANCHISEES will make due and timely payment or

SUN TAN CITY®

EXHIBIT "C"
TO THE DISCLOSURE DOCUMENT

AREA DEVELOPMENT AGREEMENT

[ATTACHED]

SUN TAN CITY®

AREA DEVELOPMENT AGREEMENT

Franchisor: STC Franchising, LLC (referred to in this Area Development Agreement (the "Agreement") as "we," "us" or "our"), a Kentucky limited liability company located at 101 Catalog Drive, Elizabethtown, Kentucky 42701.

Area Developer: [_____] (referred to in this Agreement as "you," "your" or "owner"), a [_____] with a principal place of business located at [_____].

You have provided us with any and all financial information about your shareholders, members partners, officers, directors, guarantors and other persons as we have requested; and

You desire to develop, own and operate, through yourself or an affiliate in which your Control Group (as defined in Article 9 below) owns 51% or more interest, **SUN TAN CITY®** salons (each, a "Business") in the "Area" defined below.

NOW THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, do hereby mutually agree as follows:

1 Development Area. The development area (the "Development Area") is the geographical area described as follows:

_____

_____

_____

_____

Political boundaries described above shall be considered fixed as of the date of this Agreement and shall not change for the purpose hereof, notwithstanding a political reorganization or change to such boundaries or regions. All street boundaries shall be deemed to end at the street center line unless otherwise specified above.

2 Grant of Development Rights. We grant you, subject to the terms and conditions of this Agreement, the right and license to establish and operate for your own account or for an affiliated entity under the ownership and control of your Control Group (as provided in Article 9 below), a specified number of Businesses in compliance with our standards. This personal license granted to you is limited to the right to operate the Businesses at locations only within the Development Area and may not be used elsewhere or in any other manner. You have no right to sublicense any of the rights granted to you herein. During the term of this Agreement and provided that you are in compliance with the Development Schedule set forth below, we will not operate, or license or franchise third parties to operate a **SUN TAN CITY®** Business physically located within the Development Area. You must have open and in continuous operation in the Development Area, pursuant to Franchise Agreements, that number of **SUN TAN CITY®** Businesses set forth below as of each of the following dates ("Development Schedule"):

Cumulative Number of **SUN TAN CITY®** Businesses	Date Facility to be Opened
_____	_____
_____	_____
_____	_____

You represent that you conducted your own independent investigation and analysis of the prospects for the establishment of **SUN TAN CITY®** salons within the Development Area, approve the Development Schedule as being reasonable and viable, and recognize that failure to achieve the results described in the Development Schedule will constitute material breach of this Agreement.

3 Term. Unless sooner terminated in accordance with Article10, the term of this Agreement will expire on [_____].

4 Initial Services and Ongoing Obligations. You acknowledge and agree that our initial service under this Agreement is solely to identify the Development Area and that we have no ongoing obligations such as training or operational assistance to you under this Agreement. All ongoing and further obligations to you in opening your locations shall be provided pursuant to the Franchise Agreement(s) between you and us.

5 Our Reservation of Rights. Although we, our parent company and our affiliates will not develop, operate, or franchise a **SUN TAN CITY®** Business within the Development Area while this Agreement is in effect, we, our parent and our affiliates (and our and their respective successors and assigns, by purchase, merger, consolidation or otherwise) retain all rights with respect to our trademarks, service marks, the system and **SUN TAN CITY®** businesses anywhere in the world, and the right to engage in any business whatsoever, including the right to:

5.1 operate, and grant to others the right to operate, **SUN TAN CITY®** businesses at such locations and on such terms as we deem appropriate outside of the Development Area;

5.2 offer to sell, sell and distribute, inside and outside the Development Area, any products or services associated with the **SUN TAN CITY®** system (now or in the future) or identified by the **SUN TAN CITY®** trademarks, or any other trademarks, service marks or trade names, through any distribution channels or methods, without compensation to any franchisees or area developers. These distribution channels or methods include, without limitation, retail stores, wholesale and the Internet (or any other existing or future form of electronic commerce);

5.3 operate, and grant to others the right to operate, sun tanning salons identified by any trade names, trademarks, service marks or trade dress, outside of the Development Area and pursuant to such terms and conditions as we deem appropriate, which may include locations in close proximity to your **SUN TAN CITY®** location;

5.4 develop or become associated with other concepts (including dual branding or other franchise systems), whether or not using the **SUN TAN CITY®** system, brand or trademarks, and award franchises under these other concepts or locations anywhere, including in the Development Area; and

5.5 acquire, be acquired by, merge, affiliate with or engage in any transaction with other businesses (whether competitive or not), with units located anywhere or business conducted anywhere, including in the Development Area. These transactions may include arrangements involving competing businesses or outlets and dual branding or brand conversions. You must participate at your expense in any conversion as instructed by us.

6 Charges and Fees. You will pay us the following charges and fees:

6.1 Area Development Fee. For the rights we grant you under the terms of this Area Development Agreement, you agree to pay us upon execution of this Agreement a nonrefundable fee in the amount of [_____] ($[__]) (hereinafter "Area Development Fee") for the Salons listed in Article 2 payable as follows: For the first Franchised Salon Location, you shall pay Thirty Thousand Dollars ($30,000.00) at the execution of this Agreement, and for each additional Franchised Salon Location, you shall pay Ten Thousand Dollars ($10,000.00) per Salon payable at the execution of this Agreement (with the balance of Twenty Thousand Dollars ($20,000.00) per Salon payable upon execution of the Franchise Agreement with respect to such location). Upon our receipt of the Area Development Fee, you will receive all of the rights to develop, and will be obligated to develop, the number of locations set forth in the Development Schedule. The Area Development Fee is fully earned on receipt and is not refundable for any reason.

6.2 Initial Fee for Franchise Agreement. During the term of this Agreement and any extension(s) thereof, you will at the issuance of each Franchise Agreement pay us a fee in the amount of Thirty Thousand Dollars ($30,000.00) (hereinafter "Initial Fee"); provided, however, that Thirty Thousand Dollars ($30,000.00) of the Area Development Fee shall be applied as a credit to the Initial Fee for the first Franchise Agreement issued hereunder. With respect to each subsequent Franchise Agreement issued hereunder, Ten Thousand Dollars ($10,000.00) of the Area Development Fee shall be applied as a credit to the Initial Fee and the remaining balance of Twenty Thousand Dollars ($20,000.00) of the Initial Fee must be paid upon execution of the Franchise Agreement.

7 Developer Purchase Rights. In the event that we (or one of our affiliates) enter into an agreement to acquire another business providing indoor tanning services (the "Acquired Salons") in the Development Area, we will provide you with written notice offering you the right to purchase the Acquired Salons. You will have the right, exercisable by written notice delivered to us within thirty (30) days from the date of the delivery to you of a copy of the purchase agreement for the Acquired Salons and other reasonably available information you request, to purchase such Acquired Salons for the price and on the terms and conditions contained in such purchase agreement, provided that: (a) you may substitute cash for any form of payment or non-cash consideration proposed in such offer; and (b) you shall reimburse us for all costs and expenses expended by us (or our affiliates) related to the purchase of the Acquired Salons, including but not limited to attorneys' fees and expenses for the acquisition and the exercise of your rights hereunder, due diligence fees and expenses and another fee or expense related to the acquisition of the Acquired Salons. If you do not exercise your right of first refusal, we or an affiliate of ours may complete the purchase pursuant to and on the terms of such purchase agreement and operate the salon(s) in the Development Area without violation of this Agreement. You hereby waive your rights with regard to such salon(s) in the Development Area, it being understood by you and each member of your Control Group, that there will be a benefit to all of the Salons if such salon(s) become a member of our System (as that term is defined in the Franchise Agreement). If the sale is not completed within one hundred twenty (120) days after delivery of such purchase agreement to you, or if there is a material change in the terms of the sale (which we agree promptly to communicate to you), the sale will be treated as a new sale subject to your right of first refusal as provided in this Article.

8 Execution of Franchise Agreements. You (or an affiliate owned and controlled by your Control Group, as described in Article 9 below) must execute a separate Franchise Agreement in our then-current form ("Franchise Agreement") for each Business to be established by you in the Development Area. Further, provided that you are not in default at the time each subsequent Franchise Agreement is executed, we will modify each such Franchise Agreement to reflect your obligation to pay to us a nonrefundable royalty ("Royalty") per calendar month (the "Accounting Period") via EFT. The Royalty will be equal to eight percent (8%) of the total monthly gross revenue for the Business. The terms "gross revenue" means all revenue you derive from operating the Business, including, but not limited to, all amounts you receive for

merchandise, goods, gift cards or services sold at or away from a Salon, and whether from cash, check or credit transactions, but excluding all federal, state or municipal sales, use or service taxes (including any so-called "tanning taxes") collected from clients and paid to the appropriate taxing authority and excluding client refunds, amounts paid by clients as charitable fund raisers, adjustments, credits, and allowances actually made by the Business in compliance with the **SUN TAN CITY®** system.

If you fail to provide us with an executed then-current form of Franchise Agreement at least 60 days prior to the date scheduled as the opening date for a particular Salon, your failure will be deemed a material breach of this Agreement and we will have the right to modify or terminate this Agreement as provided herein; provided that you shall have a sixty (60) day cure period before we would take any such action. Prior to executing a Franchise Agreement and with timeliness adequate to assure the development of a Salon promptly pursuant to the terms of this Agreement, you must submit to us for our written approval, the location of each proposed Salon including all information that we require pursuant to the terms of our then existing terms of development. We will advise you, as promptly as possible, of our approval or disapproval of each location that you have proposed.

9 Ownership; Control Group. Any person holding an ownership interest in you is an "Owner" for purposes of this Agreement. You acknowledge and agree that we have granted the rights in Article 1 above to you, (a) based on you, your Owner or the group of Owners described in the Ownership Addendum hereto that has, directly or indirectly, fifty-one (51%) or more ownership interest in you and voting control over its ownership interests in you ("Control Group") and (b) based on the same ownership and voting control of such Control Group, in the same percentage as hereunder, in each Franchisee that executes a Franchise Agreement hereunder. If you are a business corporation, partnership, limited liability company or other legal entity, the same Control Group must own a minimum of fifty-one percent (51%) in you and in any entity executing a Franchise Agreement as a **SUN TAN CITY®** franchisee ("Franchisee") pursuant hereto. All such ownership interests of Owners in the Control Group shall be in the same percentages in your entity under this Agreement and in any Franchisee entity executing a Franchise Agreement hereunder. Furthermore, you acknowledge and agree that we have the right to approve in advance the ownership structure of each Franchisee under a Franchise Agreement executed pursuant hereto prior to execution thereof. Each of the Owners, at any time during the term of this Agreement will execute an agreement in the form that we prescribe (Exhibit B to this Agreement) undertaking to be bound jointly and severally by all provisions of this Agreement and any ancillary agreements between you and us.

You must designate one (1) individual, who shall be set forth in Exhibit A hereto, who has the authority to, and does in fact, actively direct your business affairs related to your obligations under this Agreement and has authority to sign on your behalf on all contracts and commercial documents ("Responsible Owner"). You (or your Responsible Owner) shall exert your best efforts to the development of your **SUN TAN CITY®** Businesses; and absent our prior approval may not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitments or otherwise may conflict with your obligations hereunder. You must notify us of any proposed change of the Responsible Owner and receive our written approval prior to such change. If such change results from the death or incapacitation of the Responsible Owner, you must submit a new proposed Responsible Owner within thirty (30) days after such death or incapacitation. Neither you nor your Owners will, directly or indirectly, take any actions to avoid or restrict the authority requirement for the Responsible Owner.

Your Responsible Owner and other Owners are identified in Exhibit A to this Agreement. You represent, warrant and agree that the attached Exhibit A is current, complete and accurate, and you agree that updated copies of Exhibit A will be furnished promptly to us, so that your Franchise Agreements (as so revised and signed by you) are at all times current, complete and accurate.

10 Default and Termination. If you fail to comply with the Development Schedule for any location at any time, or if you fail to comply with the other terms of this Agreement, this Agreement shall terminate, following our giving you sixty (60) days' notice and opportunity to cure, without further recourse to you. Without waiving any rights afforded to us under this Agreement or any Franchise Agreement in which you (or your affiliates) own or hold any interest, we have the right, but not the obligation, to refrain from exercising our termination right in favor of granting you a written extension of the Development Schedule. Such an extension may, in our business judgment, be conditioned on any or all of the following: (a) a reduction in the size of the Development Area; (b) a modified Development Schedule (in terms of timing and/or number of units to be opened); (c) your execution of our then-current form of general release; and/or (d) your execution of our then-current form of Area Development Agreement, which shall replace this Agreement and which may contain materially different terms and conditions. Nothing obligates us to grant you an initial or any subsequent extension on the Development Schedule. We reserve the right to terminate this Agreement at any time if you fail to comply with its terms, including at the end of any unfulfilled extension period.

11 Franchise Agreements May Not be Affected. Upon termination of this Agreement, (i) you will continue to pay all required fees and operate the Businesses that you own in the Development Area pursuant to the terms of the applicable Franchise Agreement(s) that we executed prior to the termination of this Agreement, and (ii) your and our rights and obligations with respect to your existing Businesses will be governed by the terms of the applicable Franchise Agreement(s), unless there also exists a basis to terminate the applicable Franchise Agreement(s) for your Business(es).

12 Future Development. You recognize and acknowledge that this Agreement requires you to open **SUN TAN CITY®** Businesses in the future pursuant to the Development Schedule. You further acknowledge that the estimated expenses and investment requirements set forth in our Franchise Disclosure Document are subject to increase over time, and that future Businesses likely will involve greater initial investment and operating capital requirements than those stated in the Franchise Disclosure Document provided to you prior to the execution of this Agreement. You must execute all the Franchise Agreements and open all the Businesses by the dates set forth on the Development Schedule, regardless of (i) the requirement of a greater investment, (ii) the financial condition or performance of your prior Businesses, or (iii) any other circumstances, financial or otherwise. The foregoing will not be interpreted as imposing any obligation upon us to execute the Franchise Agreements under this Area Development Agreement if you have not complied with each and every condition necessary to develop the Businesses, or if you do not meet our then-current requirements for franchisees at the time you are scheduled to execute a Franchise Agreement.

13 Compliance with Applicable Laws. You must, at your expense, comply with all federal, state, city, municipal and local laws, ordinances, rules and regulations in the Development Area pertaining to the operation of your **SUN TAN CITY®** Businesses. You must, at your expense, be absolutely and exclusively responsible for determining all licenses and permits required by law for your Businesses, for qualifying for and obtaining all such licenses and permits, and maintaining all such licenses and permits in full force and effect.

14 Your Non-Competition Obligations.

14.1 During Term. You, and each of your Owners covenant that you will not, directly or indirectly during the term of this Agreement, on your or their own account or as an employee, consultant, partner, officer, director, shareholder or member of any other person, firm, entity, partnership, corporation or company, own, operate, lease, franchise, engage in, be connected with, have any interest in, or assist any person or entity engaged in, any business operating, or granting franchises or licenses to others to operate, any business which offers indoor tanning products or services ("Competitive Business"), other than those authorized by this Agreement or any other agreement between us and you.

14.2 After Term. You covenant that, except as otherwise approved in writing by us, you and your Owners shall not, for a continuous, uninterrupted period of two (2) years commencing upon the date of (a) a transfer permitted under Article 17 of this Agreement, (b) expiration of this Agreement, (c) termination of this Agreement (regardless of the cause for termination), or (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Article 14.2, either directly or indirectly, for yourself or your spouse, parent (including step parents), sibling (including half siblings), or child (including step children), whether natural or adopted, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, act as a consultant for, perform services for, provide assistance to, or have any interest in (as owner or otherwise) any Competitive Business that is existing or is under construction, located within (a) the Development Area, (b) five (5) miles of any **SUN TAN CITY®** Business developed hereunder, or (c) five (5) miles of any **SUN TAN CITY®** business in operation or under construction as of the date that you are required to comply with this Article 14.2. You agree and acknowledge that the two (2) year period of this restriction shall be tolled during any time period in which you are in violation of this restriction.

14.3 Exceptions. The restrictions in Articles 14.1 and 14.2 do not apply to: (a) interests in or operation of a **SUN TAN CITY®** business under a written Franchise Agreement with us; or (b) the ownership of shares of a class of securities that are listed on a public stock exchange or traded on the over- the-counter market and that represent less than five percent (5%) of that class of securities.

14.4 Injunctive Relief. You agree that damages alone cannot adequately compensate us if there is a violation of these noncompetition covenants and that injunctive relief is essential for our protection. You therefore agree that in case of any alleged breach or violation of this Article, we may seek injunctive relief without posting any bond or security, in addition to all other remedies that may be available to us at equity or law.

15 No Rights to Development Area Upon Termination. After the termination or expiration of this Agreement for any reason, any and all rights you had in and to the Development Area shall cease and we will have the absolute and unrestricted right to develop the Development Area or to contract with other franchisees for the future development of the Development Area.

16 Assignment by Us. We have the right to sell or assign, in whole or in part, our interests in this Agreement, and any such sale or assignment shall inure to the benefit of any assignee or other legal successor to our interest.

17 Assignment by You. You may only transfer your rights and interests under this Agreement if you obtain our prior written consent and transfer all of your rights and interests under all Franchise Agreements for the Business in the Development Area, except that you may assign your rights hereunder to an affiliated entity under the ownership and control of your Control Group, provided that all owners agree to be bound by the noncompetition and confidentiality provisions of this Agreement. Accordingly, the assignment terms and conditions in the Franchise Agreement(s) apply to any transfer of your rights and interests under this Agreement or any ownership in you, except that you cannot assign your rights and interests in this Agreement for an amount of consideration greater than the Development Fee specified in Article 6 unless we otherwise agree and you comply with all supplemental assignment conditions we specify in our sole business judgment, including, without limitation, your payment of a supplemental transfer fee in the amount we specify.

18 Severability. To the extent that this Agreement is judicially determined to be unenforceable by virtue of its scope or in terms of area or length of time, but may be made enforceable by reductions of any or all

thereof, the same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction where enforcement is sought.

19 Waivers. Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted hereunder or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is in a writing signed by or on behalf of both parties.

20 ARBITRATION.

20.1 WE AND YOU AGREE THAT ALL CONTROVERSIES, DISPUTES, OR CLAIMS BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) ARISING OUT OF OR RELATED TO:

20.1.1 THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES);

20.1.2 OUR RELATIONSHIP WITH YOU OR YOUR OWNERS;

20.1.3 THE SCOPE OR VALIDITY OF THIS AGREEMENT OR ANY OTHER AGREEMENT BETWEEN YOU (OR YOUR OWNERS) AND US (OR OUR AFFILIATES) OR ANY PROVISION OF ANY OF SUCH AGREEMENTS (INCLUDING THE VALIDITY AND SCOPE OF THE ARBITRATION OBLIGATION UNDER THIS ARTICLE 20, WHICH WE AND YOU ACKNOWLEDGE IS TO BE DETERMINED BY AN ARBITRATOR, NOT A COURT); OR

20.1.4 ANY SYSTEM STANDARD

MUST BE SUBMITTED FOR BINDING ARBITRATION, ON DEMAND OF EITHER PARTY, TO THE AMERICAN ARBITRATION ASSOCIATION. THE ARBITRATION PROCEEDINGS WILL BE CONDUCTED BY ONE ARBITRATOR AND, EXCEPT AS THIS ARTICLE OTHERWISE PROVIDES, ACCORDING TO THE THEN-CURRENT COMMERCIAL ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION. ALL PROCEEDINGS WILL BE CONDUCTED AT A SUITABLE LOCATION CHOSEN BY THE ARBITRATOR IN OR WITHIN FIFTY (50) MILES OF OUR THEN-CURRENT PRINCIPAL PLACE OF BUSINESS (CURRENTLY, ELIZABETHTOWN, KENTUCKY). ALL MATTERS RELATING TO ARBITRATION WILL BE GOVERNED BY THE FEDERAL ARBITRATION ACT (9 U.S.C. §§ 1 ET SEQ.). JUDGMENT UPON THE ARBITRATOR'S AWARD MAY BE ENTERED IN ANY COURT OF COMPETENT JURISDICTION.

20.2 THE ARBITRATOR HAS THE RIGHT TO AWARD OR INCLUDE IN HIS OR HER AWARD ANY RELIEF WHICH HE OR SHE DEEMS PROPER, INCLUDING, WITHOUT LIMITATION, MONEY DAMAGES (WITH INTEREST ON UNPAID AMOUNTS FROM THE DATE DUE), SPECIFIC PERFORMANCE, INJUNCTIVE RELIEF, AND ATTORNEYS' FEES AND COSTS, PROVIDED THAT THE ARBITRATOR MAY NOT DECLARE ANY MARK GENERIC OR OTHERWISE INVALID OR, EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE 24, AWARD ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST EITHER PARTY (WE AND YOU HEREBY WAIVING TO THE FULLEST EXTENT PERMITTED BY LAW, EXCEPT AS EXPRESSLY PROVIDED IN ARTICLE 24, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, OR MULTIPLE DAMAGES AGAINST THE OTHER).

20.3 WE AND YOU AGREE TO BE BOUND BY THE PROVISIONS OF ANY LIMITATION ON THE PERIOD OF TIME IN WHICH CLAIMS MUST BE BROUGHT UNDER APPLICABLE LAW OR THIS AGREEMENT, WHICHEVER EXPIRES EARLIER. WE AND YOU FURTHER AGREE THAT, IN ANY ARBITRATION PROCEEDING, EACH MUST SUBMIT OR FILE ANY CLAIM WHICH WOULD CONSTITUTE A COMPULSORY COUNTERCLAIM (AS DEFINED BY RULE 13 OF THE FEDERAL RULES OF CIVIL PROCEDURE) WITHIN THE SAME PROCEEDING AS THE CLAIM TO WHICH IT RELATES. ANY CLAIM WHICH IS NOT SUBMITTED OR FILED AS REQUIRED IS FOREVER BARRED. THE ARBITRATOR MAY NOT CONSIDER ANY SETTLEMENT DISCUSSIONS OR OFFERS THAT MIGHT HAVE BEEN MADE BY EITHER YOU OR US. WE RESERVE THE RIGHT, BUT HAVE NO OBLIGATION, TO ADVANCE YOUR SHARE OF THE COSTS OF ANY ARBITRATION PROCEEDING IN ORDER FOR SUCH ARBITRATION PROCEEDING TO TAKE PLACE AND BY DOING SO SHALL NOT BE DEEMED TO HAVE WAIVED OR RELINQUISHED OUR RIGHT TO SEEK THE RECOVERY OF THOSE COSTS IN ACCORDANCE WITH ARTICLE 20.4.

20.4 WE AND YOU AGREE THAT ANY ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS ONLY AS TO A SINGLE FRANCHISEE, NOT BY OR THROUGH AN ASSOCIATION OR ON A CLASS-WIDE BASIS, AND THAT AN ARBITRATION PROCEEDING BETWEEN US AND OUR AFFILIATES, AND OUR AND THEIR RESPECTIVE SHAREHOLDERS, OFFICERS, DIRECTORS, AGENTS, AND/OR EMPLOYEES, AND YOU (AND/OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND/OR EMPLOYEES) MAY NOT BE COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING BETWEEN US AND ANY OTHER PERSON. NOTWITHSTANDING THE FOREGOING OR ANYTHING TO THE CONTRARY IN THIS ARTICLE 20.4 OR ARTICLE 20.1, IF ANY ARBITRATOR DETERMINES THAT ALL OR ANY PART OF THE PRECEDING SENTENCE IS UNENFORCEABLE WITH RESPECT TO A DISPUTE THAT OTHERWISE WOULD BE SUBJECT TO ARBITRATION UNDER THIS ARTICLE 20.4, THEN ALL PARTIES AGREE THAT THIS ARBITRATION CLAUSE SHALL NOT APPLY TO THAT DISPUTE AND THAT SUCH DISPUTE SHALL BE RESOLVED IN A JUDICIAL PROCEEDING IN ACCORDANCE WITH THIS ARTICLE 20 (EXCLUDING THIS ARTICLE 20.4).

20.5 DESPITE OUR AND YOUR AGREEMENT TO ARBITRATE, WE AND YOU EACH HAVE THE RIGHT IN A PROPER CASE TO SEEK TEMPORARY RESTRAINING ORDERS AND TEMPORARY OR PRELIMINARY INJUNCTIVE RELIEF FROM A COURT OF COMPETENT JURISDICTION; PROVIDED, HOWEVER, THAT WE AND YOU MUST CONTEMPORANEOUSLY SUBMIT OUR DISPUTE FOR ARBITRATION ON THE MERITS AS PROVIDED IN THIS ARTICLE.

20.6 YOU AND WE AGREE THAT, IN ANY ARBITRATION ARISING AS DESCRIBED IN THIS ARTICLE, REQUESTS FOR DOCUMENTS SHALL BE LIMITED TO DOCUMENTS THAT ARE DIRECTLY RELEVANT TO SIGNIFICANT ISSUES IN THE CASE OR TO THE CASE'S OUTCOME; SHALL BE RESTRICTED IN TERMS OF TIME FRAME, SUBJECT MATTER AND PERSONS OR ENTITIES TO WHICH THE REQUESTS PERTAIN; AND SHALL NOT INCLUDE BROAD PHRASEOLOGY SUCH AS "ALL DOCUMENTS DIRECTLY OR INDIRECTLY RELATED TO." YOU AND WE FURTHER AGREE THAT THERE SHALL BE NO INTERROGATORIES OR REQUESTS TO ADMIT. WITH RESPECT TO ANY ELECTRONIC DISCOVERY, YOU AND WE AGREE THAT:

20.6.1 PRODUCTION OF ELECTRONIC DOCUMENTS NEED ONLY BE FROM SOURCES USED IN THE ORDINARY COURSE OF BUSINESS. NO SUCH DOCUMENTS SHALL BE REQUIRED TO BE PRODUCED FROM BACK-UP SERVERS, TAPES OR OTHER MEDIA;

20.6.2 THE PRODUCTION OF ELECTRONIC DOCUMENTS SHALL NORMALLY BE MADE ON THE BASIS OF GENERALLY AVAILABLE TECHNOLOGY IN A SEARCHABLE FORMAT WHICH IS USABLE BY THE PARTY RECEIVING THE DOCUMENTS AND CONVENIENT AND ECONOMICAL FOR THE PRODUCING PARTY. ABSENT A SHOWING OF COMPELLING NEED, THE PARTIES NEED NOT PRODUCE METADATA, WITH THE EXCEPTION OF HEADER FIELDS FOR EMAIL CORRESPONDENCE;

20.6.3 THE DESCRIPTION OF CUSTODIANS FROM WHOM ELECTRONIC DOCUMENTS MAY BE COLLECTED SHALL BE NARROWLY TAILORED TO INCLUDE ONLY THOSE INDIVIDUALS WHOSE ELECTRONIC DOCUMENTS MAY REASONABLY BE EXPECTED TO CONTAIN EVIDENCE THAT IS MATERIAL TO THE DISPUTE; AND

20.6.4 WHERE THE COSTS AND BURDENS OF ELECTRONIC DISCOVERY ARE DISPROPORTIONATE TO THE NATURE OF THE DISPUTE OR TO THE AMOUNT IN CONTROVERSY, OR TO THE RELEVANCE OF THE MATERIALS REQUESTED, THE ARBITRATOR SHALL EITHER DENY SUCH REQUESTS OR ORDER DISCLOSURE ON CONDITION THAT THE REQUESTING PARTY ADVANCE THE REASONABLE COST OF PRODUCTION TO THE OTHER SIDE, SUBJECT TO ALLOCATION OF COSTS IN THE FINAL AWARD AS PROVIDED HEREIN.

20.7 IN ANY ARBITRATION ARISING OUT OF OR RELATED TO THIS AGREEMENT, EACH SIDE MAY TAKE THREE DISCOVERY DEPOSITIONS. EACH SIDE'S DEPOSITIONS ARE TO CONSUME NO MORE THAN A TOTAL OF 15 HOURS. THERE ARE TO BE NO SPEAKING OBJECTIONS AT THE DEPOSITIONS, EXCEPT TO PRESERVE PRIVILEGE. THE TOTAL PERIOD FOR THE TAKING OF DEPOSITIONS SHALL NOT EXCEED SIX WEEKS.

20.8 THE PROVISIONS OF THIS ARTICLE ARE INTENDED TO BENEFIT AND BIND CERTAIN THIRD-PARTY NON-SIGNATORIES AND WILL CONTINUE IN FULL FORCE AND EFFECT SUBSEQUENT TO AND NOTWITHSTANDING THIS AGREEMENT'S EXPIRATION OR TERMINATION.

20.9 NOTHING IN THIS AGREEMENT BARS OUR RIGHT TO OBTAIN SPECIFIC PERFORMANCE OF THE PROVISIONS OF THIS AGREEMENT AND INJUNCTIVE RELIEF AGAINST CONDUCT THAT THREATENS TO INJURE OR HARM US OR THE MARKS UNDER CUSTOMARY EQUITY RULES, INCLUDING APPLICABLE RULES FOR OBTAINING RESTRAINING ORDERS AND PRELIMINARY INJUNCTIONS (SUBJECT TO OUR OBLIGATION TO ARBITRATE THE UNDERLYING CLAIM IF REQUIRED BY ARTICLE 20). YOU AGREE THAT WE MAY OBTAIN SUCH INJUNCTIVE RELIEF. YOU AGREE THAT WE WILL NOT BE REQUIRED TO POST A BOND TO OBTAIN INJUNCTIVE RELIEF AND THAT YOUR ONLY REMEDY IF AN INJUNCTION IS ENTERED AGAINST YOU WILL BE THE DISSOLUTION OF THAT INJUNCTION, IF WARRANTED, UPON DUE HEARING, AND YOU HEREBY EXPRESSLY WAIVE ANY CLAIM FOR DAMAGES CAUSED BY SUCH INJUNCTION.

20.10 COSTS AND ATTORNEYS' FEES. THE PREVAILING PARTY IN ANY ACTION OR PROCEEDING ARISING UNDER, OUT OF, IN CONNECTION WITH, OR IN RELATION TO THIS AGREEMENT WILL BE ENTITLED TO RECOVER ITS REASONABLE COSTS AND EXPENSES (INCLUDING ATTORNEYS' FEES, ARBITRATOR'S FEES AND EXPERT WITNESS FEES, COSTS OF INVESTIGATION AND PROOF OF FACTS, COURT COSTS, AND OTHER ARBITRATION OR

LITIGATION EXPENSES) INCURRED IN CONNECTION WITH THE CLAIMS ON WHICH IT PREVAILED.

20.11 PERFORMANCE TO CONTINUE. UNLESS WE EXERCISE OUR RIGHT TO TERMINATE THIS AGREEMENT, EACH PARTY MUST CONTINUE TO PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT PENDING FINAL RESOLUTION OF ANY DISPUTE PURSUANT TO THIS ARTICLE 20, UNLESS TO DO SO WOULD BE IMPOSSIBLE OR IMPRACTICABLE UNDER THE CIRCUMSTANCES.

20.12 TOLLING OF STATUTE OF LIMITATIONS. ALL APPLICABLE STATUTES OF LIMITATION AND DEFENSES BASED ON THE PASSAGE OF TIME ARE TOLLED WHILE THE DISPUTE RESOLUTION PROCEDURES IN THIS ARTICLE 20 ARE PENDING. THE PARTIES WILL TAKE SUCH ACTION, IF ANY, REQUIRED TO EFFECTUATE SUCH TOLLING.

21 Governing Law. All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 *et. seq.*). Except to the extent governed by the Federal Arbitration Act as required hereby, the UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *et seq.*) or other federal law, this Agreement, the franchise and all claims arising from the relationship between us and you will be governed by the laws of Kentucky, without regard to its conflict of laws principles, except that any law regulating the sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless jurisdictional requirements are met independently without reference to this Article.

22 Consent to Jurisdiction. Subject to Article 20 hereof, we and you and your Owners agree that if any party commences an action, it must be in any state or federal court of general jurisdiction in Kentucky and you (and each Owner) irrevocably submit to the jurisdiction of such courts and waive any objection you (or he or she) may have to either the jurisdiction of or venue in such courts.

23 Notices. All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered:

23.1 at the time delivered by hand;

23.2 one (1) business day after transmission by telecopy, facsimile, email or other electronic system, provided there is evidence of delivery;

23.3 one (1) business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of delivery; or

23.4 three (3) business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at its most current principal business address of which the notifying party has been notified.

Any required payment or report which we do not actually receive during regular business hours on the date due (or postmarked by postal authorities at least two (2) days prior thereto) will be deemed delinquent.

The initial designated mailing addresses of us and you are indicated above, and either you or we may from time-to-time change our respective designated mailing address by an express written notice of such change given by one to the other at its then most recently designated mailing address.

24 Waiver of Punitive Damages, Jury Trial and Class Actions. Except with respect to any obligation to indemnify us and claims we bring against you for your unauthorized use of our trademarks or unauthorized use or disclosure of any confidential information, we and you and each of your Owners waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive, to the fullest extent permitted by law, trial by jury in any action, proceeding or counterclaim, whether at law or in equity, brought by either of us. Each party acknowledges that it has had a full opportunity to consult with counsel concerning this waiver, and that this waiver is informed, voluntary, intentional, and not the result of unequal bargaining power.

25 Multiple Copies. This Agreement may be executed in multiple copies, each of which will be deemed an original, and all of which when taken together shall constitute one and the same document.

26 Entire Agreement. This Agreement together with any exhibits, addenda and appendices hereto constitute the sole agreement between you and us with respect to the entire subject matter of this Area Development Agreement and embodies all prior agreements and negotiations with respect to your Businesses authorized hereunder. Notwithstanding anything in this Article 26 or otherwise in this Agreement to the contrary, nothing in this Agreement or in any related agreement you enter into with us is intended to disclaim the representations we have made in the Franchise Disclosure Document. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

27 Modification. This Agreement shall not be modified or amended except by an instrument in writing signed by or on behalf of the parties hereto.

28 Other Franchisees/Area Developers. You acknowledge that other **SUN TAN CITY®** franchisees/area developers have or will be granted franchises or area development rights at different times and in different situations, and further acknowledge that the provisions of such agreements may vary substantially from those contained in this Agreement.

29 Binding Effect. Except as otherwise provided herein to the contrary, this Agreement shall be binding upon, and shall inure to the benefit of, you, your Owners and us, and each of our respective heirs, executors, legal representatives, successors and assigns.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement as of the Effective Date.

THIS AGREEMENT CONTAINS A BINDING ARBITRATION PROVISION WHICH MAY BE ENFORCED BY THE PARTIES.

FRANCHISOR: **STC FRANCHISING, LLC**

By:_____

Printed Name:_____

Title:_____

Effective Date:_____

AREA DEVELOPER: [_____]

By:_____

Printed Name:_____

Title:_____

Dated:_____

EXHIBIT A

TO THE AREA DEVELOPMENT AGREEMENT BETWEEN STC FRANCHISING, LLC AND [_____]

DATED [_____], 20[__]

OWNERSHIP ADDENDUM

1. **RESPONSIBLE OWNER**. The name and home address of the Responsible Owner is as follows:

_____

_____

_____

2. **FORM OF ENTITY OF AREA DEVELOPER**.

(a) **CORPORATION OR LIMITED LIABILITY COMPANY**. Area Developer is a [_____] organized on [_____], under the laws of the State of [_____]. Its Federal Identification Number is [_____]. It has not conducted business under any name other than its corporate or company name.

Name of Each Director/Officer/Managing Member	Position(s) Held
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(b) **PARTNERSHIP**. Area Developer is a [general] [limited] partnership formed on [_____], [_____] under the laws of the State of [_____]. Its Federal Identification Number is [_____]. It has not conducted business under any name other than its partnership name.

Name of Each General Partner

_____

_____

_____

_____

_____

2. **OWNERS**.

(a) Area Developer and each of its Owners represents and warrants that the following is a complete and accurate list of all owners of any interest whatsoever in Area Developer, including the full name and mailing address of each Owner, and fully describes the nature and extent of each Owner's interest in Area Developer. Area Developer and each Owner, as to his or her ownership interest, represents and warrants that each Owner is the sole and exclusive legal and beneficial owner of his or her ownership interest in Area Developer, free and clear of all liens, restrictions, agreements and encumbrances of any kind or nature, other than those required or permitted by this Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest

(b) **CONTROL GROUP**. You represent and warrant that the following Owner or group of Owners has, directly or indirectly, 51% or more ownership interest in you and voting control over its ownership interests in you and constitutes your Control Group as described in Article 8 of the Area Development Agreement.

Owner's Name and Address	Percentage and Nature of Ownership Interest

This Exhibit A Ownership Addendum is deemed accepted and made a part of the Area Development Agreement as of the Area Development Agreement's Effective Date.

[_____]
(Name of corporation, limited liability company or partnership

By:_____
Printed Name:_____
Title:_____
Effective Date:_____

STC FRANCHISING, LLC,
A Kentucky Limited Liability Company

By:_____
Printed Name:_____
Title:_____
Effective Date:_____

EXHIBIT B

TO THE AREA DEVELOPMENT AGREEMENT BETWEEN STC FRANCHISING, LLC AND [_____]

DATED [_____], 20[__]

OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS

In consideration of, and as an inducement to, the execution of the **SUN TAN CITY®** Area Development Agreement dated as of [_____] (the "Agreement") by and between STC Franchising, LLC ("Franchisor"), and [_____] ("Area Developer"), each of the undersigned Owners in Area Developer hereby personally and unconditionally: (1) guarantees to Franchisor and its successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement ("Guaranty"), that Area Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Agreement (and any amendments) and that each and every representation of Area Developer made in connection with the Agreement (and any amendments) are true, correct and complete in all respects at and as of the time given; and (2) agrees personally to be bound by, and personally liable for the breach of, each and every provision in the Agreement and the Franchise Agreement to be entered into for Salon openings under the Agreement (and any amendments to either agreement), including, without limitation, the confidentiality and non- competition provisions of such agreements.

Each of the undersigned waives: (a) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (b) notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed; (c) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed; (d) any right the undersigned may have to require that an action be brought against Area Developer or any other person as a condition of liability; (e) notice of any amendment to the agreement; and (f) any and all other notices and legal or equitable defenses to which the undersigned may be entitled.

Each of the undersigned consents and agrees that: (i) the undersigned's direct and immediate liability under this guaranty shall be joint and several; (ii) the undersigned shall render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses to do so punctually; (iii) such liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Area Developer or any other person; and (iv) such liability shall not be diminished, relieved or otherwise effected by any extension of time, credit or other indulgence which the Franchisor may from time to time grant to Area Developer or to any other person including, without limitation, the acceptance of any partial payment or performance or the compromise or release of any claims, none of which shall in any way modify or amend this guaranty, which shall be continuing and irrevocable until satisfied in full.

It is further understood and agreed by the undersigned that the provisions, covenants and conditions of the Guaranty will inure to the benefit of our successors and assigns.

This is a guaranty of payment and not of collection. This is an absolute, unconditional, primary, and continuing obligation and will remain in full force and effect until, and shall terminate (as "terminate" is used in Kentucky Revised Statutes § 371.065) on the earlier of the following: (i) all of the obligations have been indefeasibly paid in full, and Franchisor has terminated this Guaranty; or (ii) ten (10) years after the date of the Agreement; *provided, however*, that termination of this Agreement on such termination date shall not affect in any manner the liability of Guarantor with respect to (1) the obligations which are created or incurred prior to such

termination date, or (2) extension or renewals of, interest accruing on, or fees, costs or expenses incurred with respect to, such prior obligations prior to, on or after such termination date.

This Guaranty shall be governed by the enforcement, governing law and dispute resolution provisions set forth in Article 20 of the Agreement and notice and payment provisions set forth in Article 23 of the Agreement.

IN WITNESS WHEREOF, each of the undersigned Owners or Controlling Principal(s) has affixed their signature effective as of the Area Development Agreement's Effective Date.

GUARANTOR(S)

_____
(Signature)
(Print Name)

_____
(Signature)
(Print Name)

_____
(Signature)
(Print Name)

SUN TAN CITY®

EXHIBIT "D"
TO THE DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS

Illinois: Illinois Attorney General 500 South Second Street Springfield, IL 62706 Telephone: 217-782-4465	Indiana: Secretary of State 302 W. Washington St. Rm. E111 Indianapolis, IN 46204 Telephone: 317-232-6681
Maryland: Office of Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202 Telephone: 410-576-6360	Michigan: Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, MI 48913 Telephone: 517-241-6470
Minnesota: Commissioner of Commerce Department of Commerce, Securities Division 85 7th Place East, Suite 500 St. Paul, MN 55101 Telephone: 651-539-1638	New York: New York Department of State One Commerce Plaza, 99 Washington Avenue Albany, NY 12231 Telephone: 212-417-5800
North Dakota: North Dakota Securities Department State Capitol - 5th Floor, Dept. 414 600 East Boulevard Avenue Bismarck, ND 58505-0510 Telephone: 701-328-4712	Rhode Island: Director of Department of Business Regulation Department of Business Regulation 1511 Pontiac Avenue Building 69-2 Cranston, RI 02920 Telephone: 401-462-9527
South Dakota: Division of Insurance Securities Regulation 124 S. Euclid, Ste. 104 Pierre, SD 57501-3185 Telephone: 605-773-3563	Virginia: Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219 Telephone: 804-371-9051
	Wisconsin: Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, WI 53703 Telephone: 608-266-2139

EXHIBIT "E"
TO THE DISCLOSURE DOCUMENT

SUN TAN CITY® CONVERSION ADDENDUM

[ATTACHED]

SUN TAN CITY®

CONVERSION ADDENDUM

This Conversion Addendum ("Addendum") to the Sun Tan City Franchise Agreement ("Franchise Agreement") dated [_____], by and between STC Franchising, LLC ("Franchisor") and [_____] ("Franchisee") is made and entered concurrently with the execution of the Franchise Agreement by and between Franchisor and Franchisee. Initially capitalized terms used but not defined herein have the meanings set forth in the Franchise Agreement.

RECITALS:

Franchisor has the right to use and license others to use the system and the Marks for establishing and operating **SUN TAN CITY®** Salons.

Franchisee currently owns or otherwise has rights to an existing tanning Salon located at and desires to use the System and Marks in connection with the operation of such tanning Salon.

In connection with the execution of the Franchise Agreement for Franchisee's existing tanning Salon, Franchisor and Franchisee desire to amend the Franchise Agreement to establish terms and conditions applicable to the conversion of Franchisee's existing tanning Salon to a **SUN TAN CITY®** Salon.

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

1. Opening Date. Anything in the Franchise Agreement to the contrary notwithstanding, the Opening Date shall be the date on which the Franchisor notifies Franchisee in writing that the existing tanning Salon may be opened to the public branded under Franchisor's Marks. Franchisor shall issue such notice only when, in the Franchisor's sole discretion, Franchisee has installed all or substantially all of the fixtures, equipment, signs and supplies that Franchisor specifies as necessary to complete and open the tanning salon as a **SUN TAN CITY®** Salon.

2. Initial Franchise Fee. You agree to pay us a nonrecurring and nonrefundable initial franchise fee in the amount of [_____] ($[____]) when you sign this Addendum. The fee will be fully earned by us upon the execution of this Agreement. Except as set forth herein, Article 3.1 of the Franchise Agreement remains in effect.

3. Royalties. You agree to pay us a nonrefundable royalty ("Royalty") each calendar month (the "Accounting Period"). Commencing on the date of the initial opening of the Business (the "Opening Date"), you agree to pay us a Royalty according to the following:

First twelve (12) months commencing with the Opening Date	Five percent (5%) of your Gross Revenue
Months 13-24 after the Opening Date	Six percent (6%) of your Gross Revenue
Month 25 and thereafter during the remaining term of the Agreement	Seven percent (7%) of your Gross Revenue

You shall provide to us via facsimile transmissions or Internet e-mail, or such other form of delivery we approve, a report of the Gross Revenue derived from operating the Business at the Salon for each calendar month no later than the tenth (10th) day of the subsequent calendar month. You agree that we shall receive the Royalty for the preceding calendar month no later than the fifteenth (15th) day of each calendar month via debit draft of your account, which shall be initiated by us, by withholding the amount from the EFT drafts that we collect on your behalf or by such other form of delivery that we approve. If you fail to provide us with a report of Gross Revenue by the tenth (10th) day of the month for the preceding month, then we may, in our sole discretion, elect whether to draft from your account or withhold from your EFT draft that we collect on your behalf, the same amount that had been drafted the previous month, and you will be responsible for any deficiency if the amount actually owed for such month's Royalty is greater than the amount drafted. You will be credited if the amount drafted is in excess of the amount owed for such month's Royalty.

4. Conversion Audit and Prototype Plans. Franchisor has conducted a preliminary conversion audit, and has provided to Franchisee written requirements and guidelines for conversion to the System. Franchisor has provided to Franchisee, on loan, a set of prototypical design plans and specifications for a **SUN TAN CITY®** Salon.

5. Server Fee. Franchisee agrees to pay Franchisor, in addition to all other fees provided in the Franchise Agreement, via debit draft of your account, which shall be initiated by us, or by such other form of delivery that we may approve, a fee of $750 to merge your server with our servers. Unless otherwise directed by us, this fee is payable to STC Management Group, LLC and is due within ten days of the merger completion.

6. Conversion Training. We will not provide the training described in Article 4.1.2 of the Franchise Agreement. We will provide forty (40) hours of on-site training and support the first week of your conversion to a **SUN TAN CITY®** Salon, including verification that all point-of-sale systems and related tools are available. Franchisee agrees to pay Franchisor, in addition to all other fees provided in the Franchise Agreement, as an offset to any conversion credit or via debit draft of your account, which shall be initiated by us, or by such other form of delivery that we may approve, a fee of $1,000 and is due within ten days of the Salon opening.

7. Franchisee's Representation, Warranties and Covenants. Franchisee's execution of this Addendum does not and will not result in the breach of any agreement by which Franchisee or any of the Controlling Principals are bound or to which the facility to be used for the Salon is subject.

8. Construction. The capitalized terms used in this Addendum shall have the same meaning as in the Franchise Agreement. The provisions of this Addendum are deemed incorporated into the Franchise Agreement as if stated in full therein and in the event of any conflict between the terms of this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall control.

IN WITNESS WHEREOF, each of the parties hereto has caused this Addendum to be executed by its duly authorized representative as of the date first above written.

STC FRANCHISING, LLC

By:_____
Printed Name:_____
Title:_____
Effective Date:_____

[CORPORATION OR PARTNERSHIP]

By:_____
Printed Name:_____
Title:_____
Effective Date:_____

EXHIBIT “F”
TO THE DISCLOSURE DOCUMENT

WELLNESS CITY™ TESTING AND CONVERSION ADDENDUM

[ATTACHED]

SUN TAN CITY®

WELLNESS CITY™ TESTING AND CONVERSION ADDENDUM TO FRANCHISE AGREEMENT

THIS TESTING AND CONVERSION ADDENDUM (this "Addendum" is made and entered into this [__] day of [_____], 20[__], by and between STC Franchising, LLC, a Kentucky limited liability company, with its principal business address at 101 Catalog Drive, Elizabethtown, Kentucky 42701 (referred to in this Agreement as "we", "us", or "our"), and [_____], whose principal business address is [_____], (referred to in this Agreement as "you", "your", or "franchisee"), and is attached to and made a part of that certain SUN TAN CITY® FRANCHISE AGREEMENT dated the [__] day of [_____], 20[__] (the "Franchise Agreement"). We and you shall each individually be referred to as a "Party" and together as the "Parties". All capitalized terms set forth in this Addendum and not otherwise defined herein shall have the meanings given to such terms in the Franchise Agreement.

1. PREAMBLES, ACKNOWLEDGEMENTS AND GRANT OF FRANCHISE.

1.1 PREAMBLES. Pursuant to the terms of the Franchise Agreement, we have granted you a Franchise to operate a Salon operated under the System and utilizing the Marks at the location described in Section 1.5 of the Franchise Agreement and determined pursuant to Section 2 of the Franchise Agreement. The definitions of "Salons", "System", and "Marks" in Section 1.1 of the Franchise Agreement, as well as, among other provisions, Sections 4.5 (Manuals), 5.1 (Ownership and Goodwill of Marks), 8.1 (Compliance with Methods of Operations), and 8.4 (Modification of Methods of Operation) of the Franchise Agreement, contemplate and permit our designation of additional or alternate Marks, alternate or modified Methods of Operations, and other developments of the System, as well as your obligation to adhere to the Franchise Agreement terms relating to such designations, modifications, developments, improvements, and licenses. We have expended considerable time and effort in developing a new business concept that modifies the System, with a focus on wellness products and services, as well as the development of Marks in addition to the **SUN TAN CITY®** Marks, which new business concept operates and will operate under the name "**WELLNESS CITY™**" and associated logo(s) and other trademarks, service marks, and commercial symbols, and will operate under a distinctive System and Methods of Operation. Such additional Marks shall be referred to as "WC Marks" and such developments to the System, shall be referred to as the "WC System." The WC Marks, together with the WC System and the franchise license granted under the Franchise Agreement and this Addendum to operate a **WELLNESS CITY™** Salon, shall be referred to as the "WC Business". You have indicated to us by your actions and statements that you desire to participate in the testing of the WC System and owning and operating a **WELLNESS CITY™** Salon.

1.2 GRANT OF FRANCHISE; CONVERSION. Notwithstanding anything to the contrary in the Franchise Agreement, you agree to reimage and convert your Salon from a **SUN TAN CITY®** Salon to a **WELLNESS CITY™** Salon ("Rebrand" or "Rebranding"). The foregoing Rebranding commitment shall also apply if you have not yet opened a **SUN TAN CITY®** Salon, in which case you shall comply with the terms of Section 2 of the Franchise Agreement (as modified by this Addendum). You shall discontinue and cease usage of the existing Marks (e.g., the "**SUN TAN CITY®**" trademark and associated logo and other trademarks, service marks, commercial symbols, and associated logos currently in operation), and will replace them with one or more of the new WC Marks that we will provide. All references to "**SUN TAN CITY®**" in the Franchise Agreement shall, for the term of this Addendum, be deemed to instead refer to "**WELLNESS**

CITY™". The Rebranding includes, among other things and to the extent required, the removal and replacement of signs, advertising materials, uniforms, supplies, displays, stationary, forms, and any other items displaying the existing Marks. You agree to discontinue the use of any website, advertisement, messages, or materials on the Internet (including, but not limited to, social media websites such as Instagram and Facebook) that depict or display the existing **SUN TAN CITY®** Mark in connection with the Salon and Franchise under the Franchise Agreement. Furthermore, you will cause or will assist us in causing the removal and replacement—or the procurement, installation, design, and build-out, pursuant to the terms of the Franchise Agreement—of all fixtures, furnishings, equipment, décor items, and related items that we direct you to remove and replace (or procure and install) in connection with the Rebranding.

Except as expressly modified (by reference or otherwise) by the terms of this Addendum, the terms of the Franchise Agreement shall continue to bind the Parties and govern the terms of the Franchise.

2. **SERVICES; TRAINING; PARTICIPATION.**

2.1 **WC SERVICES.** Your Salon will, in addition to or in lieu of the current services and goods, begin to offer certain wellness services ("WC Services") and accompanying retail products ("WC Products"), all as more detailed in the instructions, guidance, Manual supplement, and other written communications from us to you regarding the Rebrand and the WC System. You agree to follow all procedures, guidance, instructions, and schedules ("Protocol") provided by us relating to the Rebranding, the WC Services, and the WC Products, as well as any changes, developments, supplements, modifications, and replacements to the Protocol made by us from time to time.

2.2 **ADDITIONAL TRAINING.** You agree to receive and satisfactorily complete all training provided by us to you and your employees in connection with the Rebrand, as determined at our sole discretion. All employees must be available for and attend any and all trainings provided by us, including additional training as needed, according to the training schedule and frequency we specify (which may be virtual or in-person). The Protocol, including the training schedule we set, must be strictly adhered to. Upon completion of all required training and the implementation of all Protocols to our satisfaction, you will be eligible to offer the WC Services and WC Products to clients at your Salon.

2.3 **ADDITIONAL REPORTING.** In addition to the reporting and information required under the Franchise Agreement, you agree to cooperate in furnishing us with information and resources relating to the Rebrand and your operations of the Salon and your WC Business, as reasonably requested by us following and during the Rebranding. Such information and resources include, but are not limited to, the financial statements for your WC Business, information about your Salon's employee compensation structure for WC Services and WC Products sold (e.g., salary, hourly, commissions, bonus plans, etc.), staffing levels prior to and following the Rebranding, and potential insights about WC Product and WC Service costs and best practices. You agree to welcome any visits and inspections from us and/or our agents and cooperate with our directives for additional training, including participation in regular performance review and coaching calls.

2.4 **ADVERTISING PRICES.** As and to the extent permitted by applicable law, you agree to comply with the maximum or minimum advertising price for products and services offered at your Salon, including the WC Services and WC Products, that we may periodically set. If we impose a maximum advertised price, you may not advertise a higher price for the product or service than the maximum advertised price we impose. If we impose a minimum advertised price for any product or service, you may not advertise a lower price for such product or service than the minimum advertised price we impose. Further, you

must comply with any advertising policy we adopt which may prohibit you from advertising any price for a product or service that is different than our suggested retail price.

3. BREACH AND TERMINATION; CONCLUSION OF TEST, REVERSION

3.1 **BREACH**. Failure to strictly comply with the terms of this Addendum, the Franchise Agreement, our written directives relating to the Rebranding, and/or the Protocols will constitute a default under the Franchise Agreement. In the event that you do not complete or maintain the Rebranding or otherwise adhere to the terms of this Addendum, our written directives relating to the Rebranding, and/or the Protocols, we may, pursuant to Section 14.2.15 of the Franchise Agreement, provide you with notice of your failure to comply with the provisions of the Franchise Agreement or the Methods of Operation and may terminate the Franchise Agreement if you do not cure such failure within thirty (30) days after receipt of our notice thereof. Our right to terminate is in addition to any other rights and remedies we may possess in connection with the Franchise Agreement, all of which are expressly reserved.

3.2 **CONCLUSION OF TEST.** The term of this Addendum shall be coterminous with the term of your Franchise Agreement. Notwithstanding the foregoing, we may, in our sole and absolute discretion, opt to direct and require you to discontinue your use of the WC Marks, reimage and convert your Salon, and to adhere to substitute, developed, modified, or different Methods of Operation in lieu of the WC System, including discontinuing the offering of WC Services and WC Products, and instead revert back to the Salon, Marks, System, and Methods of Operation set forth in the Franchise Agreement as existing prior to the execution of this Addendum (such obligations, "Reversion" or "Reverting"). In the event of a Reversion, this Addendum shall terminate and be of no further force or effect, effective ninety (90) days after our delivery of notice to you to Revert, and the Franchise Agreement shall continue in full force and effect for the remainder of its then-current term, subject and pursuant to the terms of the Franchise Agreement.

4. DISCLAIMER AND WAIVER; RESULTS; NON-WAIVER

4.1 We will not be obligated for any damages to any person, entity, or property directly or indirectly arising out of the Rebranding. You acknowledge and agree that any cost representations made by us in connection with the Rebranding are considered estimations only and, therefore, we will not be obligated for any damages, losses, or additional costs that you may incur as a result of your participation in the Rebranding, except as expressly set forth in this Addendum.

You acknowledge that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary the Methods of Operation for any franchise owner as we determine; and that we may choose not to authorize similar variations or accommodations to you or other franchise owners. You acknowledge and agree that the Rebrand project described in this Addendum is a variance of the Methods of Operation and the System for you and certain other franchise owners. You hereby voluntarily and knowingly waive and release any and all claims, demands, or causes of action, whether known or unknown, that you may have against us and the Indemnified Parties, arising out of or related to any alleged discrimination in connection with the Rebrand, the Franchise Agreement, or the operation of the Franchise.

4.2 We make no claims or representations regarding the potential sales, profits, or earnings achievable by you or your Salon following the Rebrand. If we make any financial worksheets or similar resources (collectively, "Worksheets") available to you at any time, you acknowledge and agree that: (i) such Worksheets are only examples; (ii) we and the Indemnified Parties make no

warranties, guarantees, or undertakings, express or implied, or have any legal or other liability with respect to, the completeness, accuracy or usefulness of the contents of such Worksheets, the way in which such Worksheets are used, or any actions taken as a consequence of such use; (iii) you should consult with your own professional advisors in utilizing such Worksheets or acting upon any information you generate as a result of using such Worksheets; and (iv) business results may vary on an individual studio basis due to numerous economic and business factors.

4.3 Nothing in this Addendum shall be understood or construed as a limitation or waiver (express, constructive, implied, or otherwise) of any of our rights under the Franchise Agreement relating to any different or further modifications, substitutions, alterations, improvements, developments, or creation of new, supplemental, substitute, different, varying, amended, modified, or other Marks, Methods of Operation, or other aspects of the System, each of which will be governed by the terms of the Franchise Agreement for all future instances of any of the foregoing. Any costs and expenses incurred or to be incurred in connection with the foregoing will be governed under the terms of the Franchise Agreement, unless you and us otherwise agree by entering into an amendment, addendum, or other written, executed instrument setting forth the terms of such other agreement.

5. MISCELLANEOUS

5.1 **CONFIENTIALITY.** Except as reasonably necessary to perform your obligations or exercise or enforce your rights under this Addendum, you shall not provide or disclose to any third party, or use, unless authorized in writing to do so by us or properly directed or ordered to do so by public authority or court of competent jurisdiction, any information or matter that constitutes or concerns the terms and conditions of this Addendum or that regards any dealings or negotiations with you related to this Addendum.

5.2 **GOVERNING LAW.** This Addendum will be construed and enforced in accordance with, and governed by, the laws of the state set forth in the Franchise Agreement.

5.3 **AMENDMENT.** This Addendum may not be modified or amended or any term hereof waived or discharged except in writing signed by the Party against whom such amendment, modification, waiver, or discharge is sought to be enforced.

5.4 **HEADINGS**. The headings of this Addendum are for convenience and reference only and will not limit or otherwise affect the meaning hereof.

5.5 **SEVERABILITY**. If there is a determination that any provision of this Addendum is invalid or unenforceable, that determination will not affect the remaining provisions of this Addendum, and the terms of this Addendum shall be deemed amended to the minimum extent necessary to make them valid and enforceable.

5.6 **CONTROLLING PROVISIONS**. This Addendum modifies the Franchise Agreement. In the event of any conflict between a provision of the Franchise Agreement and this Addendum, the provisions of this Addendum shall control. Except as expressly provided in this Addendum, all of the terms and provisions of the Franchise Agreement are and will remain in full force and effect and are hereby ratified and confirmed by the Parties. Without limiting the generality of the foregoing, the amendments contained herein will not be construed as an amendment to or waiver of any other provision of the Franchise Agreement or as a waiver of or consent to any further or future action on the part of either

Party that would require the waiver or consent of the other Party. On and after the effective date of this Addendum, each reference in the Franchise Agreement to "this Agreement," "the Agreement," "hereunder," "hereof," "herein," or words of like import, and each reference to the Franchise Agreement in any other agreements, documents, or instruments executed and delivered pursuant to, or in connection with, the Franchise Agreement, will mean and be a reference to the Franchise Agreement as amended by this Addendum.

5.7 **COUNTERPARTS.** This Addendum may be executed in any number of counterparts and sent via facsimile or other electronic transmission, each of which will be deemed an original but all of which taken together will constitute one and the same instrument.

[*SIGNATURE PAGE FOLLOWS*]

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

STC FRANCHISING, LLC

By:_____

Printed Name:_____

Title:_____

Dated:_____

[OWNER CORPORATION, PARTNERSHIP OR OTHER BUSINESS ENTITY]

By:_____

Printed Name:_____

Title:_____

Dated:_____

SUN TAN CITY®

EXHIBIT "G"
TO THE DISCLOSURE DOCUMENT

STATE SPECIFIC ADDENDA

[ATTACHED]

INFORMATION REQUIRED BY THE STATE OF ILLINOIS

In recognition of the requirements of the Illinois Franchise Disclosure Act of 1987, the disclosure document is amended as follows:

1. Illinois law governs the Franchise Agreement and Area Development Agreement.

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

> The foregoing provisions applies to the choice of which state's law will govern the franchise agreement and requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act.

Therefore, Items 17(v) and 17(vv) of the disclosure document are amended to include the following:

> "Any provision in a Franchise Agreement which designates jurisdiction or venue in a forum outside of Illinois may be unenforceable as to any cause of action which otherwise is enforceable in the courts of the State of Illinois, except that the Franchise Agreement may provide for arbitration in a forum outside of the State of Illinois."

Items 17(w) and 17(ww) of the disclosure document are amended to include the following:

> "The Illinois Franchise Disclosure Act requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act if the jurisdictional requirements of the Illinois Franchise Disclosure Act are met."

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

> The following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the disclosure document: "Notwithstanding anything set forth in Item 17 to the contrary, the conditions under which your franchise can be terminated and your rights upon non-renewal may be affected by Articles 19 and 20 of the Illinois Franchise Disclosure Act."

4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

> Items 17(x) and 17(xx) of the disclosure document are amended to include the following:
>
> "Any provisions in the Franchise Agreement waiving punitive damages or a jury trial, or any other rights available to the Franchisee under the Illinois Franchise Disclosure Act shall be subject to Article 41 of the Illinois Franchise Disclosure Act, which provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is null and void."

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

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

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the Illinois Franchise Act are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

This Amendment relates to franchises sold in Illinois and is intended to comply with the Illinois Franchise Disclosure Act and the regulations promulgated thereunder. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. Illinois law governs the Franchise Agreement and Area Development Agreement.

Accordingly, Article 17.13 of the Franchise Agreement is amended to include the following: "Notwithstanding anything in this Article 17.13 or otherwise in this Agreement to the contrary, the laws of the State of Illinois shall govern this Agreement."

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Accordingly, Article 17.14 of the Franchise Agreement is amended to include the following: "To the extent required by applicable Illinois law, this Article shall not in any way abrogate or reduce any rights of the franchisee as specifically provided in the Illinois Franchise Disclosure Act."

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

Accordingly, Article 13 of the Franchise Agreement is hereby amended by adding a new Article 13.7 thereof, which shall read in its entirety as follows: "The conditions under which the franchise can be terminated and the parties' rights on non-renewal may be affected by Articles 19 and 20 of the Illinois Franchise Disclosure Act. To the extent that any provision of this Article 13 is inconsistent with one of the aforementioned sections, the applicable provisions of the Illinois Franchise Disclosure Act shall control."

Accordingly, Article 14 of the Franchise Agreement is hereby amended by adding a new Article 14.5 thereof, which shall read in its entirety as follows: "The conditions under which the franchise can be terminated and the parties' rights on non-renewal may be affected by Articles 19 and 20 of the Illinois Franchise Disclosure Act. To the extent that any provision of this Article 14 is inconsistent with one of the aforementioned sections, the applicable provisions of the Illinois Franchise Disclosure Act shall control."

Accordingly, Article 15 of the Franchise Agreement is hereby amended by adding a new Article 15.12 thereof, which shall read in its entirety as follows: "The conditions under which the franchise can be terminated and the parties' rights on non-renewal may be affected by Articles 19 and 20 of the Illinois Franchise Disclosure Act. To the extent that any provision of this Article 15 is inconsistent with one of the aforementioned sections, the applicable provisions of the Illinois Franchise Disclosure Act shall control."

4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

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

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS

This Amendment relates to franchises sold in Illinois and is intended to comply with the Illinois Franchise Disclosure Act and the regulations promulgated thereunder. In consideration of the execution of the Area Development Agreement, the parties agree to amend the Area Development Agreement as follows:

1. Illinois law governs the Franchise Agreement and Area Development Agreement.

The Illinois Attorney General's Office has taken the position that the foregoing provision applies to the choice of which state's law will govern franchise agreements and related agreements, and requires that Illinois law apply to any claim arising under the Illinois Franchise Disclosure Act. Accordingly, Article 21 of the Area Development Agreement is amended to include the following: "Notwithstanding anything in this Article 21 or otherwise in this Agreement to the contrary, the laws of the State of Illinois shall govern this Agreement."

2. In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Accordingly, Article 22 of the Area Development Agreement is amended to include the following: "To the extent required by applicable Illinois law, this Article shall not in any way abrogate or reduce any rights of the Developer as specifically provided in the Illinois Franchise Disclosure Act."

3. Your rights upon Termination and Non-Renewal of an agreement are set forth in sections 19 and 30 of the Illinois Franchise Disclosure Act.

The conditions under which the Area Development Agreement can be terminated and the parties' rights on non-renewal may be affected by sections 19 and 30 of the Illinois Franchise Disclosure Act. To the extent that any provisions of the Area Development Agreement is inconsistent with one of the aforementioned sections, the applicable provisions of the Illinois Franchise Disclosure Act shall control.

4. In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

Accordingly, Article 24 of the Area Development Agreement is amended to include the following: "Notwithstanding anything in this Article 24 to the contrary, any provisions in this Agreement waiving punitive damages, a jury trial, or any other rights available to you under the Illinois Franchise Disclosure Act are null and void."

Accordingly, Article 20 of the Area Development Agreement is amended to include a new Article 20.13 thereof, to read in its entirety as follows: "Notwithstanding anything in this Article 20 to the contrary, any provisions in this Agreement waiving punitive damages, a jury trial, or any other rights available to you under the Illinois Franchise Disclosure Act are null and void."

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

IN WITNESS WHEREOF, the parties have executed this Amendment to the Area Development Agreement on the same day that the Area Development Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF INDIANA

In recognition of the requirements of Indiana Code, Chapter 2.7, entitled "Deceptive Franchise Practices" (the "Indiana Law"), the disclosure document is amended as follows:

1. Item 8 of the disclosure document is hereby amended to add the following to the end thereof:

> Pursuant to Indiana law, it is unlawful for us to require goods, supplies, inventories, or services to be purchased exclusively from us or sources designated by us where goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by us. Therefore, if you are either a resident of Indiana or a nonresident of Indiana that will be operating your franchise in Indiana, you will not be required to purchase goods, supplies, inventories or services exclusively from us or sources designated by us if items of comparable quality are available from other sources; provided, however, you are required to purchase such items from vendors approved by us. To the extent that you desire to purchase goods, supplies, inventories or services of comparable quality from a supplier who is not currently an approved vendor, then you must obtain our approval for such supplier prior to purchasing any goods, supplies, inventories or services from such suppliers. However, we are not subject to the restrictions set forth in this paragraph with respect to any of our principal goods, supplies, inventories, or services manufactured or trademarked by us.

2. Item 8 of the disclosure document is hereby amended to add the following after the end of the third paragraph of Item 8 under sub-heading "Required Purchases from Approved Suppliers or in Accordance with Our Specifications":

> Pursuant to Indiana law, it is unlawful for us to obtain money, goods, services, or any other benefit from any other person with whom you do business, on account of, or in relation to, the transaction between you and the other person, other than for compensation for services rendered by us, unless the benefit is promptly accounted for, and transmitted to you. Therefore, if you are either a resident of Indiana or a nonresident of Indiana who will be operating a franchise in Indiana, rebates, discounts and similar payments we or our affiliates receive from vendors or suppliers pursuant to your purchase of goods or services from such vendors or suppliers will be promptly accounted for and transmitted to you, less any compensation to us or our affiliates for services rendered.

3. The "Summary" section of Item 17(b) of the disclosure document is amended by adding the following language:

> "However, the prohibition by Indiana Code § 23-2-2.7-1(8) against a franchisor's failure to renew a franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Article 13 of the Franchise Agreement in the State of Indiana, to the extent it may be inconsistent with such prohibition. It is understood that nothing in Indiana Code § 23-2-2.7-1(8) shall be deemed to be inconsistent with any provision of the Franchise Agreement providing that the Franchise Agreement is renewable or that you shall be granted a successor franchise only if you meet certain conditions specified in the Franchise Agreement."

4. The "Summary" section of Item 17(g) of the disclosure document is amended by adding the following language:

> "However, the prohibition by Indiana Code § 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Article 14.2 of the Franchise Agreement in the State of Indiana, to the extent it may be inconsistent with such prohibition."

5. The "Summary" section of Item 17(h) of the disclosure document is hereby amended by adding the following language:

> "However, the prohibition by Indiana Code §23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of Article 14.2 of the Franchise Agreement in the State of Indiana, to the extent it may be inconsistent with such prohibition."

6. The following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the disclosure document:

> "Notwithstanding any provision to the contrary set forth in this Item 17 or in the Franchise Agreement, the Indiana Deceptive Franchise Practices Act prohibits us from requiring you to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability imposed by the Indiana Deceptive Franchise Practices Act."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the Indiana Law are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF INDIANA

In recognition of the requirements of Indiana Code, Chapter 2.7, entitled "Deceptive Franchise Practices" (the "Indiana Law"), the parties agree to amend the Franchise Agreement as follows:

1. Article 2 of the Franchise Agreement is hereby amended by adding a new Article 2.9 thereof that shall read in its entirety as follows:

> Notwithstanding anything in this Article 2 or otherwise in this Agreement to the contrary, if you are either a resident of Indiana or a nonresident of Indiana who will be operating your Business in Indiana, it is unlawful under the Indiana Deceptive Franchise Practices Act for this Agreement to require goods, suppliers, inventories, or services (other than our principal goods, supplies, inventories, or services manufactured or trademarked by us) to be purchased exclusively from us or sources designated by us where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the us. Therefore, if you are either a resident of Indiana or a nonresident of Indiana who will be operating your Business in Indiana, you will not be required to purchase goods, supplies, inventories or services (other than our principal goods, supplies, inventories, or services manufactured or trademarked by us) exclusively from us or sources designated by us if such items are available from other sources; provided, however, you are required to purchase such items from vendors approved by us. To the extent that you desire to purchase goods, supplies, inventories or services (other than our principal goods, supplies, inventories, or services manufactured or trademarked by us) of comparable quality from suppliers who are not currently approved by us, then you must take the appropriate steps to obtain our approval for the suppliers prior to purchasing any goods, supplies, inventories or services from such suppliers.

2. Article 2 of the Franchise Agreement is hereby amended by adding a new Article 2.10 thereof that shall read in its entirety as follows:

> If you are either a resident of Indiana or a nonresident of Indiana who will be operating your Business in Indiana, it is unlawful under the Indiana Deceptive Franchise Practices Act for this Agreement to allow us to obtain money, goods, services, or any other benefit from any other person with whom we do business, on account of, or in relation to, the transaction between you and the other person, other than for compensation for services rendered by us, unless the benefit is promptly accounted for, and transmitted to you. Therefore, if you are either a resident of Indiana or a nonresident of Indiana who will be operating your Business in Indiana, volume-based discounts and rebates we or our affiliated companies receive from vendors or suppliers pursuant to your purchase of goods or services from such vendors or suppliers will be promptly accounted for and transmitted to you, less any compensation to us or our affiliates for services rendered.

3. Article 12 of the Franchise Agreement is hereby amended by adding a new Article 12.13 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 12 shall relieve us or any other person, directly or indirectly, from liability imposed by the Indiana Deceptive Franchise Practices Act."

4. Article 13 of the Franchise Agreement is hereby amended by adding a new Article 13.7 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 13 shall relieve us or any other person, directly or indirectly, from liability imposed by the Indiana Deceptive Franchise Practices Act."

5. Article 15 of the Franchise Agreement is hereby amended by adding a new Article 15.9 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 15 shall relieve us or any other person, directly or indirectly, from liability imposed by the Indiana Deceptive Franchise Practices Act."

6. Article 13 of the Franchise Agreement is hereby amended by adding a new Article 13.8 thereof, which shall read in its entirety as follows:

> "The prohibition by Indiana Code § 23-2-2.7-1(8) against a franchisor's failure to renew a franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of this Article 13 in the State of Indiana, to the extent it may be inconsistent with such prohibition. It is understood that nothing in Indiana Code § 23-2-2.7-1(8) shall be deemed to be inconsistent with any provision of this Article 13 providing that this Franchise Agreement is renewable or that you shall be granted a successor franchise only if you meet certain conditions specified in this Franchise Agreement."

7. Article 14 of the Franchise Agreement is hereby amended by adding a new Article 14.5 thereof, which shall read in its entirety as follows:

> "The prohibition by Indiana Code §23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as material breach of the Franchise Agreement, will supersede the provisions of this Article 14 in the State of Indiana to the extent they may be inconsistent with such prohibition."

8. Each provision of this Amendment shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Indiana Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Indiana Addendum as of the effective date of the Agreement but actually on the dates set forth below.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF IOWA

This addendum applies only to franchises sold in the State of Iowa and is intended to comply with the Iowa Franchise Investment Act and the regulations and administrative policies promulgated thereunder.

1. Footnote 1 to Item 6 is amended by adding the following to the end thereof: "Concerning any Franchise sold in the State of Iowa, the required transfer fee shall be only our reasonable, actual costs incurred in effecting the transfer of your Franchise."

2. Item 6 is amended by deleting in its entirety from the chart entitled "Other Fees" the section thereof referring to the "Successor Franchisee Fee" and all information related thereto.

3. Item 8 is amended by adding a new section thereof that shall provide as follows:

Iowa Franchisees

"Concerning any Franchise sold in the State of Iowa, we will not require you to purchase any goods, supplies, inventories or services exclusively from us or any supplier approved by us where such goods, supplies, inventories, or service of comparable quality are available from sources other than those designated by us, though this policy does not apply to (a) our principal goods, suppliers, inventories and services or (b) any of our goods, suppliers, inventories or services entitled to protection under any law as a trade secret. In addition, we reserve the right to disapprove any supplier."

4. Items 17(u), 17(v), 17(uu) and 17(vv) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of Iowa, we cannot require you to agree in advance to mediate or arbitrate disputes or agree to litigation in a forum outside the State of Iowa."

5. Items 17(e), 17(f), 17(g), and 17(h) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of Iowa, we will only terminate your Franchise for "good cause" as defined in Iowa Code 537A.10(7)(a). In addition, prior to the termination of your Franchise for good cause, we will provide you with written notice stating the basis for the proposed termination of your Franchise, and you shall be given a reasonable period of time (not less than 30 days nor more than 90 days) in which to cure your default, except with respect to certain actions for which an opportunity to cure is not required pursuant to Iowa Code 537A.10(7)(c)."

6. Item 17(c) is amended by adding the following statement: "Concerning any Franchise sold in the State of Iowa, we will comply with Iowa Code 537A.10(8), which provides that (1) we will give you at least 180 days notice of our decision not to renew your Franchise; (2) we will only refuse to renew your Franchise (i) for "good cause" (defined as any legitimate business reason), (ii) if you and we mutually agree that your Franchise will not be renewed, or (iii) we completely withdraw from your geographic market (provided that we agree not to enforce any covenant not to compete against you)."

7. Items 17(w) and 17(ww) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of Iowa, Iowa law shall apply."

8. Items 17(k), 17(l), 17(m), 17(n), and 17(o) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of Iowa, we will comply with Iowa Code 537A.10(5), which provides that (1) we will approve any transfer by you of your Franchise so long as the transferee satisfies our reasonable then-current qualifications for franchisees; (2) you may transfer less than a controlling interest in your Franchise to an employee stock ownership plan, or employee incentive plan provided that more than fifty percent of the entire Franchise is held by transferees who meet our reasonable current qualifications for franchisees, and such

transfer is approved by us (which approval will not be unreasonably withheld); (3) we will not discriminate against a proposed transferee of a franchise on the basis of race, color, national origin, religion, sex, or disability; (4) we will approve any transfer by you of less than a controlling interest in your Franchise to your spouse or child or children if following the transfer more than fifty percent of the interest in the entire Franchise is held by transferees who meet our reasonable current qualifications; (5) if we do not approve a transfer by you of your Franchise pursuant to our rights under Iowa Code 537A.10(5), we will deliver written notice of same to you within 60 days of receipt of your request for transfer stating the reason(s) for which we are withholding our consent; and (6) we will not deny your surviving spouse or any child or children (in the event of your death or permanent disability) the opportunity to participate in the ownership of the Franchise for a reasonable period, not exceeding one year, after your death or disability, provided that your surviving spouse or child(ren) must either meet all of the qualifications to which you were subject at the time of your death or disability, or sell, transfer, or assign the Franchise to a person who meets our then-current qualifications for a new franchisee. We reserve the right to condition any transfer upon (1) the transferee successfully completing our training program, (2) payment of a transfer fee by you that reimburses us for our actual expenses directly attributable to the transfer, (3) your payment or making of provision reasonably acceptable to us to pay any amounts you owe to us at the time of the transfer, and (4) the financial terms of the transfer complying with our then-current financial requirements for franchisees."

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF IOWA

This Amendment relates to franchises sold in Iowa and is intended to comply with the Iowa Franchise Disclosure Act and the regulations and administrative policies promulgated thereunder. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. Article 2.5 is amended by deleting the third sentence thereof and replacing it with the following language: "We will not require you to purchase or lease approved brands, types or models of fixtures, furnishings, equipment, signs and products exclusively from us or any supplier approved by us where such fixtures, furnishings, equipment signs and products of comparable quality are available from sources other than those designated by us; provided, however, that this policy does not apply to (a) our principal fixtures, furnishings, equipment, signs and products, or (b) any of our fixtures, furnishings, equipment, signs and products entitled to protection under any law as a trade secret. In addition, we reserve the right to disapprove any supplier."

2. Article 8.1.4 is amended by deleting the language thereof in its entirety and replacing it with the following language: "Designated or approved suppliers (which may be limited to or include us) of our principal fixtures, furnishings, equipment, signs, products, materials and supplies or any of the same which are entitled to protection under any law as a trade secret (the use of suppliers other than us, our subsidiaries or affiliates, or other approved suppliers, without our express written approval, is a material breach of the terms of this Agreement);"

3. Article 12.4 is amended by adding the following language after the second sentence of the opening paragraph thereof: "We will not discriminate against a proposed transferee on the basis of race, color, national origin, religion, sex, or disability. If we do not approve a transfer by you, we will deliver written notice of same to you within sixty (60) days of receipt of your request for transfer stating the reason(s) for which we are withholding our consent."

4. Article 12.4.4 is amended by deleting the language thereof in its entirety and replacing it with the following language: "The transferee has agreed to be bound by all of the terms and conditions of this Agreement for the remainder of the Term."

5. Article 12.4.5 is amended by deleting the language thereof in its entirety and replacing it with the following language: "You pay us a transfer fee in an amount sufficient to reimburse us for our actual expenses directly attributable to the transfer."

6. Article 12.4.6 is deleted in its entirety.

7. Article 12.6 is amended by adding the following language to the end thereof: "Upon your death or permanent disability, or, if you are a corporation, limited liability company or partnership, the death or permanent disability of the owner of a controlling interest in you, we will not deny your surviving spouse or any child or children the opportunity to participate in the ownership of the Business for a period of one (1) year, after such death or permanent disability; provided, however, that such surviving spouse or child(ren) must during such one year period either meet all of the qualifications to which you were subject at the time of your death or disability, or sell, transfer, or assign such ownership interest to a person who meets our then-current qualifications for a new franchisee.

8. Article 13.1.3 is deleted in its entirety.

9. Article 13.4 is amended by adding the following language to the end thereof: "We will only refuse to grant your request for a successor franchisee (i) for "good cause" (defined as any legitimate business reason), (ii) if you

and we mutually agree that your franchise will not be renewed, or (iii) we completely withdraw from your geographic market (provided that we agree not to enforce any covenant not to compete against you)."

10. Article 13.5 is amended by deleting the language thereof in its entirety and replacing it with the following language: "If our Notice states that you must cure certain deficiencies of the Business or its operation as a condition to the grant of a successor franchise, we will give you written notice of a decision not to grant a successor franchise, based upon your failure to cure such deficiencies, not less than one hundred eighty (180) days prior to the expiration of this Agreement, provided, however, that we will not be required to give you such notice if we decide not to grant you a successor franchise due to your breach of this Agreement during the one hundred eighty (180) day period prior to its expiration. If we fail to give you notice of (i) deficiencies in the Business, or in your operation of the Business, within ninety (90) days after we receive your timely election to a acquire a successor franchise; or (ii) our decision not to grant a successor franchise at least one hundred eighty (180) days prior to the expiration of this Agreement, if such notice is required, then in either instance, we may extend the term of this Agreement for such period of time as is necessary to provide you with either reasonable time to correct deficiencies or the one hundred eighty (180) day notice of our refusal to grant a successor franchise required hereunder."

11. Article 13.6 is amended by deleting the third sentence thereof in its entirety and deleting the phrase "and releases" from the fourth sentence thereof.

12. Article 14 is amended by adding a new Article 14.5 thereof, which shall read in its entirety as follows: "Notwithstanding any provision of Article 14 of this Agreement to the contrary, we will only terminate this Agreement for "good cause" as defined in Iowa Code 537A.10(7)(a). In addition, prior to our termination of this Agreement for good cause, we will provide you with written notice stating the basis for the proposed termination of this Agreement, and you shall be given a reasonable period of time determined in our sole discretion (which period shall be not less than 30 days nor more than 90 days) in which to cure your default, except with respect to certain defaults for which an opportunity to cure is not required pursuant to Iowa Code 537A.10(7)(c) (though if an opportunity to cure such default is otherwise provided by Article 14.2 of this Agreement, such cure period shall apply notwithstanding Iowa Code 537A.10(7)(c))."

13. Article 17.13 is amended by replacing the words "Commonwealth of Kentucky" therein with the words "State of Iowa," and by deleting all language thereof appearing after the word "principles."

14. Article 17.14 is deleted in its entirety.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF 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:

A.) A prohibition on the right of a franchisee to join an association of franchisees.

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

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

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

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

F.) A provision requiring that arbitration or litigation be conducted outside the state of Michigan. this shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

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

i. The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.

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

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

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

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

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

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

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

INFORMATION REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §80C.01-80C.22 ("Minnesota Franchise Act"), and the Rules and Regulations of the Minnesota Commissioner of Commerce, the disclosure document is amended as follows:

1. Adding the following information to amend Item 13 of the disclosure document:

> "Concerning franchises governed by Minnesota law, we will adhere to requirements pursuant to Minn. Stat. Sec. 80C.12, subdivision 1(g) of the Minnesota Franchise Act that we protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding your use of the Marks, provided your use of the Marks is in accordance with the Franchise Agreement."

2. Adding the following information for Items 17 "b", "c", "e", "f", "g," and "h" of the FDD:

> "Concerning franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, subdivisions 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice before termination of the Franchise Agreement (with 60 days to cure any deficiencies) and 180 days' notice of our election not to renew the Franchise Agreement, and provide that consent to transfer of the franchise may not be unreasonably withheld. Notice of termination under Minnesota law is effective immediately upon receipt where the alleged grounds for termination or cancellation are:
>
> (1) voluntary abandonment of the franchise relationship by the franchisee;
> (2) the conviction of the franchisee of an offense directly related to the business conducted pursuant to the franchise; or
> (3) failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type, or other commercial symbol after the franchisee has received written notice to cure of at least 24 hours in advance thereof.
>
> Minnesota law provides that no person may terminate or cancel a franchise except for "good cause." "Good cause" is defined under Minnesota law as a failure by the franchisee to substantially comply with the material and reasonable franchise requirements imposed by the franchisor, including, but limited to: (1) the bankruptcy or insolvency of the franchisee; (2) assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (3) voluntary abandonment of the franchise business; (4) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or (5) any act by or conduct of the franchisee which materially impairs the goodwill associated with the franchisor's trademark, trade name, service mark, logo type, or any other commercial symbol."

3. The following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the disclosure document:

> "Notwithstanding any provision to the contrary set forth in this Item 17 or in the Franchise Agreement, Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minn. Stat. Articles 80C.01-80C.22, provided that the foregoing shall not bar the voluntary settlement of disputes."

4. Adding the following information to Items 17 "u", "v", "w", "uu", "vv", and "ww" of the FDD:

> "Minn. Stat. Sec. 80C.21 and Minnesota Rule 2860.4400(JJ) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this disclosure document or the Franchise Agreement can abrogate or reduce any of your rights as provided for in Minn. Stat. Chap. 80C or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, provided that the foregoing shall not bar an exclusive arbitration clause."

5. **THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING**.

6. **THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE**.

Each provision of this addendum to the Disclosure Document is effective only to the extent, concerning such provision, that the jurisdictional requirements of the Minnesota Franchise Law are met independently without reference to this Disclosure Document.

AMENDMENT TO FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MINNESOTA

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat. §80C.01 - 80C.22 ("Minnesota Franchise Act") and the Rules and Regulations of the Minnesota Commissioner of Commerce, the parties agree to amend the Franchise Agreement as follows:

1. Article 5.3 of the Franchise Agreement is hereby amended to add the following sentence to the end thereof:

> "Notwithstanding the foregoing, to the extent required by Minnesota law, we will adhere to requirements pursuant to Minn. Stat. Sec. 80C.12, subdivision 1 (g) of the Minnesota Franchise Act that we protect your right to use the Marks or indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding your use of the Marks in accordance with this Agreement."

2. Article 12 of the Franchise Agreement is hereby amended by adding a new Article 12.13 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 12 shall relieve us or any other person, directly or indirectly, from liability imposed by the Minnesota Franchise Act."

3. Article 13 of the Franchise Agreement is hereby amended by adding a new Article 13.7 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 13 shall relieve us or any other person, directly or indirectly, from liability imposed by the Minnesota Franchise Act."

4. Article 15 of the Franchise Agreement is hereby amended by adding a new Article 15.12 thereof, which shall read in its entirety as follows:

> "No requirement that you execute a general release set forth in this Article 15 shall relieve us or any other person, directly or indirectly, from liability imposed by the Minnesota Franchise Act."

5. Article 13 of the Franchise Agreement is hereby amended by adding a new Article 13.8 thereof, which shall read in its entirety as follows:

> "Minnesota law provides franchisees with certain termination, non-renewal and transfer rights. Minn. Stat. §80C.14 (subdivisions 3, 4, and 5) requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement, and provides that consent to transfer of the franchise may not be unreasonably withheld. Notice of termination under Minnesota law is effective immediately upon receipt where the alleged grounds for termination or cancellation are:
>
> (1) voluntary abandonment of the franchise relationship by the franchisee;
> (2) the conviction of the franchisee of an offense directly related to the business conducted pursuant to the franchise; or

(3) failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type, or other commercial symbol after the franchisee has received written notice to cure of at least 24 hours in advance thereof.

Minnesota law provides that no person may terminate or cancel a franchise except for "good cause." "Good cause" is defined thereunder as a failure by the franchisee to substantially comply with the material and reasonable franchise requirements imposed by the franchisor, including, but limited to: (1) the bankruptcy or insolvency of the franchisee; (2) assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (3) voluntary abandonment of the franchise business; (4) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or (5) any act by or conduct of the franchisee which materially impairs the goodwill associated with the franchisor's trademark, trade name, service mark, logo type, or any other commercial symbol.

Notwithstanding anything in this Article 13 to the contrary, we will comply with Minn. Stat. §80C.14 (subdivisions 3, 4, and 5) which requires, except in certain specified cases, that a Franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement."

6. Article 14 of the Franchise Agreement is amended by adding a new Article 14.5 thereof, which shall read in its entirety as follows:

"Minnesota law provides franchisees with certain termination, non-renewal and transfer rights. Minn. Stat. §80C.14 (subdivisions 3, 4, and 5) requires, except in certain specified cases, that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non- renewal of this Agreement, and provides that consent to transfer of the franchise may not be unreasonably withheld. Notice of termination under Minnesota law is effective immediately upon receipt where the alleged grounds for termination or cancellation are:

(1) voluntary abandonment of the franchise relationship by the franchisee;
(2) the conviction of the franchisee of an offense directly related to the business conducted pursuant to the franchise; or
(3) failure to cure a default under the Franchise Agreement which materially impairs the goodwill associated with the franchisor's trade name, trademark, service mark, logo type, or other commercial symbol after the franchisee has received written notice to cure of at least 24 hours in advance thereof.

Minnesota law provides that no person may terminate or cancel a franchise except for "good cause." "Good cause" is defined thereunder as a failure by the franchisee to substantially comply with the material and reasonable franchise requirements imposed by the franchisor, including, but limited to: (1) the bankruptcy or insolvency of the franchisee; (2) assignment for the benefit of creditors or similar disposition of the assets of the franchise business; (3) voluntary abandonment of the franchise business; (4) conviction or a plea of guilty or no contest to a charge of violating any law relating to the franchise business; or (5) any act by or conduct of the franchisee which materially impairs the goodwill associated with the franchisor's trademark, trade name, service mark, logo type, or any other commercial symbol.

Notwithstanding anything in this Article 14 to the contrary, we will comply with Minn. Stat. §80C.14 (subdivisions 3, 4, and 5) which requires, except in certain specified cases, that a Franchisee be given 90-days notice of termination (with 60 days to cure) and 180-days notice for non- renewal of the Franchise Agreement."

7. Article 17.17 of the Franchise Agreement is amended by deleting the words "one (1) year" and replacing such deleted phrase with the words "three (3) years."

8. Article 17 of the Franchise Agreement is amended by adding a new Article 17.28 thereof, which shall read in its entirety as follows:

"Minnesota Statutes, Article 80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Agreement can abrogate or reduce any of Franchisee's rights as provided for in the Minnesota Franchise Act or Franchisee's rights to any procedure, forum, or remedies provided for by the laws of the State of Minnesota."

9. **THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING**.

10. **THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE**.

11. Each provision of this Amendment shall be effective only to the extent that with respect to such provision, the jurisdictional requirements of the Minnesota Franchise Law are met independently without reference to this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC	**[CORPORATION OR PARTNERSHIP]**
By:_____	By:_____
Printed Name:_____	Printed Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

INFORMATION REQUIRED BY THE STATE OF NEW YORK

This addendum to the disclosure document relates to franchises sold in the State of New York and is intended to comply with New York General Business Law, Article 33, Articles 680 through 695 (the "New York Law"), and the regulations and administrative policies promulgated thereunder.

1. The State Cover Page of the disclosure document is amended by adding the following statement:

> "INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHIGN IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 120 BROADWAY, 23RD FLOOR, NEW YORK, NEW YORK 10271. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT."

2. Item 3 of the disclosure document is amended by the addition of the following at the end thereof:

> "Neither we, our predecessor, nor any person identified in Item 2:
>
> A. Has an administrative, criminal or civil action pending against that person alleging: a felony; a violation of a franchise, anti-trust 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 franchises and the size, nature or financial condition of the Franchise system or its business operations.
>
> B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within a ten (10) year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, anti-trust, or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.
>
> C. 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 practices 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 associations 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 effecting a license as a real estate broker or sales agent."

3. We represent that this disclosure document does not knowingly omit any material fact or contain any untrue statement of a material fact.

4. Item 4 of the disclosure document is deleted in its entirety and replaced with the following:

"No person or entity previously identified in Items 1 or 2 of this disclosure document has during the 10 year period immediately before the date of this 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) been a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the franchisor held this position in the company or partnership."

5. Item 5 of the disclosure document is amended by adding the following language to the end of the subheading entitled "Initial Franchise Fee":

"We will use the initial franchise fee to cover our costs associated with fulfilling our obligations under the Franchise Agreement and to cover other overhead costs and expenses."

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

"However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied."

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

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

8. The following is added to the end of the "Summary" section of Item 17(j), titled "Assignment of contract by franchisor":

"However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement."

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

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

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the New York Law are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NEW YORK

This Amendment relates to franchises sold in New York and is intended to comply with the New York General Business Law, Article 33, Articles 680 through 695 (the "New York Law"). In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. Article 17.13 of the Franchise Agreement is amended by adding the following to the end thereof:

> "The foregoing should not be considered a waiver of any right that either we or you may have under the General Business Law of the State of New York, Article 33, or any rule or regulation promulgated thereunder."

2. The Franchise Agreement is hereby amended by adding a new Article 17.28, which shall read in its entirety as follows:

> "Notwithstanding anything in this Franchise Agreement to the contrary, to the extent that your Franchise is subject to the New York General Business Law Article 33, Articles 680 through 695 (the "New York Law"), we will not require you to assent to any release, assignment, novation, waiver or estoppel which would relieve any person from any duty or liability imposed by the New York Law."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF NORTH DAKOTA

This addendum to the disclosure document relates to franchises sold in the State of North Dakota and is intended to comply with the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., and the regulations and administrative policies promulgated thereunder.

1. Item 17 of the disclosure document is amended by the addition of the following:

(a) Items 17(c) and 17(m) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of North Dakota, we cannot require you to sign a release as a condition to renewal or transfer of your Franchise. In addition we cannot require you to sign a general release as a condition to renewal or transfer of your Franchise."

(b) Items 17(u), 17(v), 17(uu) and 17(vv) are amended by adding the following statement to each: "Concerning any Franchise sold in the State of North Dakota, we cannot require you to agree in advance to mediate or arbitrate disputes at a location that is remote from the site of your business or agree to litigation in a forum outside the State of North Dakota."

(c) Items 17(w) and 17(ww) are amended by adding the following statement to the end thereof: "Concerning any Franchise sold in the State of North Dakota, North Dakota law shall apply."

(d) Items 17(x) and 17(xx) are amended by adding the following statement to the end thereof: "Concerning any Franchise sold in the State of North Dakota, we cannot require you to consent to any waiver of your rights to a trial by jury."

(e) Items 17(i), 17(m), and 17(q) are amended by adding the following to the end of each: "The Franchise Agreement contains covenants not to compete which extend beyond the termination or expiration of the Franchise. These covenants may not be enforceable under N.D.C.C. § 9-08-06."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the North Dakota Franchise Investment Law are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

This Amendment relates to franchises sold in North Dakota and is intended to comply with the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. Paragraph 12.4.6 of the Franchise Agreement is amended by adding the following to the end thereof: "provided, however, that to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., the provisions of this Paragraph 12.4.6 shall not apply."

2. Article 13.6 of the Franchise Agreement is amended by adding the following to the end of the second sentence thereof: "provided, however, that to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., you and your owners shall not be required to execute any such general releases."

3. Article 15.5 of the Franchise Agreement is amended by adding a new Paragraph 15.5.3 thereto that shall provide as follows: "Notwithstanding any provision of this Article 15.5 to the contrary, to the extent that your Franchise is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., the covenants not to compete set forth in this Article 15.5 may not be enforceable under N.D.C.C. § 9-08-06."

4. Article 17.9 of the Franchise Agreement is amended to read in its entirety as follows: "In accordance with the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., in any action brought by us to enforce the provisions of this Agreement against you, the prevailing party in such action shall be entitled to recover all costs and expenses (including attorney's fees) incurred with respect to such enforcement action."

5. Paragraph 17.12 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Paragraph 17.12 to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to agree in advance to mediate or arbitrate disputes at a location that is remote from the site of your Business. Therefore, the parties shall agree to arbitration at a location that is mutually agreeable to both parties. If the parties cannot agree on a location for arbitration proceedings, the location will be determined by the arbitrator; provided, however, that such determination must be consistent with the aforementioned requirements of the North Dakota Franchise Investment Law."

6. Article 17.13 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Article 17.13 or otherwise in this Agreement to the contrary, North Dakota law shall govern this Agreement."

7. Article 17.14 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Article 17.14 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to agree in advance to litigation in a forum outside the State of North Dakota."

8. Article 17.15 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Article 17.15 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to consent to a waiver of your right to trial by jury or require you to consent to a waiver of exemplary or punitive damages."

9. Article 17.17 of the Franchise Agreement is deleted in its entirety.

10. Article 17.12.5 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Article 17.12.5 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to consent to a waiver of exemplary or punitive damages."

11. Article 17.12.6 of the Franchise Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Article 17.12.6 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., the statute of limitations applicable under North Dakota law will apply."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

AMENDMENT TO THE AREA DEVELOPMENT AGREEMENT
REQUIRED BY THE STATE OF NORTH DAKOTA

This Amendment relates to franchises sold in North Dakota and is intended to comply with the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq. In consideration of the execution of the Area Development Agreement, the parties agree to amend the Area Development Agreement as follows:

1. A new Section 20.13 of the Area Development Agreement is added to read in its entirety as follows: "Notwithstanding anything in this Section 20 to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to agree in advance to mediate disputes at a location that is remote from your location. Therefore, the parties shall agree to mediation at a location that is mutually agreeable to both parties. If the parties cannot agree on a location for mediation proceedings, the location will be determined by the mediator; provided, however, that such determination must be consistent with the aforementioned requirements of the North Dakota Franchise Investment Law."

2. Section 21 of the Area Development Agreement is amended by replacing the word "Kentucky" with the words "North Dakota" therein.

3. Section 22 of the Area Development Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Section 22 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to agree in advance to litigation in a forum outside the State of North Dakota."

4. Section 24 of the Area Development Agreement is amended by adding the following to the end thereof: "Notwithstanding anything in this Section 24 or otherwise in this Agreement to the contrary, to the extent that this Agreement is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., we cannot require you to consent to a waiver of your right to trial by jury or require you to consent to a waiver of exemplary or punitive damages."

5. Section 14.2 of the Area Development Agreement is amended by adding the following to the end thereof: "Notwithstanding any provision of this Section 14.2 to the contrary, to the extent that your Franchise is subject to the North Dakota Franchise Investment Law, N.D.C.C. § 51-19-01 et. seq., the covenants not to compete set forth in this section may not be enforceable under N.D.C.C. § 9-08-06."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Area Development Agreement on the same day that the Area Development Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF RHODE ISLAND

In recognition of the requirements of the Franchise Investment Act of the State of Rhode Island, the disclosure document is amended as follows:

1. Items 17(u), 17(v), 17(w), 17(uu), 17(vv), and 17(ww) are each amended by adding the following to end thereof: "Pursuant to §19-28.1-14 of the Franchise Investment Act of the State of Rhode Island, a provision in a franchise agreement restricting jurisdiction or venue to a forum outside of Rhode Island or requiring the application of the laws of a state other than Rhode Island is void with respect to a claim otherwise enforceable under the Franchise Investment Act of the State of Rhode Island."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the Franchise Investment Act of the State of Rhode Island are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF RHODE ISLAND

This Amendment relates to franchises sold in Rhode Island and is intended to comply with the Franchise Investment Act of the State of Rhode Island. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. A new Paragraph 17.12.15 is hereby added to the Franchise Agreement, which shall provide as follows: "Notwithstanding any provision of this Article 17.12, pursuant to §19-28.1-14 of the Franchise Investment Act of the State of Rhode Island, to the extent this Article 17.12 restricts jurisdiction or venue to a forum outside of Rhode Island, this Article 17.12 is void with respect to a claim otherwise enforceable under the Franchise Investment Act of the State of Rhode Island."

2. Article 17.13 of the Franchise Agreement is hereby amended to add the following at the end thereof: "Notwithstanding any provision of this Article 17.13, pursuant to §19-28.1-14 of the Franchise Investment Act of the State of Rhode Island, this Article 17.13 is void with respect to a claim otherwise enforceable under the Franchise Investment Act of the State of Rhode Island."

3. Article 17.14 of the Franchise Agreement is hereby amended to add the following at the end thereof: "Notwithstanding any provision of this Article 17.14, pursuant to §19-28.1-14 of the Franchise Investment Act of the State of Rhode Island, to the extent this Article 17.14 restricts jurisdiction or venue to a forum outside of Rhode Island, this Article 17.14 is void with respect to a claim otherwise enforceable under the Franchise Investment Act of the State of Rhode Island."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF SOUTH DAKOTA

In recognition of the requirements of the South Dakota Franchise Investment Law (the "Franchise Investment Law"), the disclosure document is amended as follows:

1. Article 37-5B-26(8) of the Franchise Investment Law provides that a franchisor is not permitted to disclaim or require a franchisee to waive reliance on any representation made in the disclosure document or in it exhibits or amendments. Therefore, Item 17(t) of the disclosure document is amended to include ", this disclosure document" after "Manuals" therein.

2. Article 37-5B-21 of the Franchise Investment Law provides that any condition, stipulation, or provision requiring a franchisee to waive compliance with or relieving a person of a duty or liability imposed by or a right provided by the Franchise Investment Law or a rule or order promulgated thereunder is void. Therefore, the following additional disclosure is inserted below the "Franchise Relationship" table set forth in Item 17 of the disclosure document: "Concerning any franchise sold in the State of South Dakota, any provision of the Franchise Agreement requiring you to waive our compliance with, or relieving us of any duty or liability imposed by, or waiving any right provided by the South Dakota Franchise Investment Law is void with respect to such waiver."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the South Dakota Franchise Investment Law are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF SOUTH DAKOTA

This Amendment relates to franchises sold in South Dakota and is intended to comply with the South Dakota Franchise Investment Law. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. To the extent that Article 17.18 of the Franchise Agreement conflicts with or is unenforceable under the South Dakota Franchise Investment Law, Article 17.18 of the Franchise Agreement is amended to add ", the Franchise Disclosure Document" after "Manuals" in the first sentence thereof.

2. Article 17.13 of the Franchise Agreement is hereby amended by adding the following language to the end thereof: "Notwithstanding anything in this Agreement to the contrary, any provision of this Agreement requiring you to waive our compliance with, or relieving us of any duty or liability imposed by, or waiving any right provided by the South Dakota Franchise Investment Law is void with respect to such waiver."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE COMMONWEALTH OF VIRGINIA

This addendum to the disclosure document relates to franchises sold in the Commonwealth of Virginia and is intended to comply with the franchise laws of the Commonwealth of Virginia and the regulations and administrative policies promulgated thereunder.

1. The "Summary" section of Item 17(h) of the disclosure document is hereby amended by adding the following language:

> "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."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the Commonwealth of Virginia franchise laws and the regulations and administrative policies promulgated thereunder are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE COMMONWEALTH OF VIRGINIA

This Amendment relates to franchises sold in the Commonwealth of Virginia and is intended to comply with the franchise laws thereof and the regulations and administrative policies promulgated thereunder. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. A new Article 14.5 is added to the Franchise Agreement, which shall provide in its entirety 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 this Article 14 do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, such provision may not be enforceable."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

INFORMATION REQUIRED BY THE STATE OF WISCONSIN

In recognition of the requirements of the Wisconsin Fair Dealership Law (the "Dealership Law"), the disclosure document is amended as follows:

1. Article 135.03 of the Dealership Law provides that a franchisor cannot terminate, cancel, fail to renew or substantially change a franchise agreement without good cause. Therefore:

> Items 17(b), 17(c), 17(e), and 17(i) of the disclosure document are amended by adding to each item the following language: "Concerning any franchise sold in the State of Wisconsin, your franchise will not be terminated or canceled, nor will we fail to renew your franchise, without good cause."

2. Article 135.04 of the Dealership Law requires that in certain circumstances a franchisee must receive ninety (90) days written notice of termination, cancellation, or non-renewal of the franchise, stating all the reasons for such termination, cancellation, or non-renewal, and sixty (60) days in which to rectify any claimed deficiencies. Therefore:

> Items 17(b), 17(c), 17(e), and 17(i) of the disclosure document are amended by adding to each item the following language: "Concerning any franchise sold in the State of Wisconsin, to the extent required under Wisconsin law, we will provide you at least 90 days written notice of any termination, cancellation, or non-renewal of your franchise, stating all of the reasons for such termination, cancellation or non-renewal. To the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies."

3. Items 17(w) and 17(ww) of the disclosure document are amended by adding the following language:

> "Concerning any franchise sold in the State of Wisconsin, to the extent that any provision of the Franchise Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law will control."

Each provision of this addendum to the disclosure document is effective only to the extent that with respect to such provision, the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this disclosure document.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN

This Amendment relates to franchises sold in Wisconsin and is intended to comply with the Wisconsin Fair Dealership Law. In consideration of the execution of the Franchise Agreement, the parties agree to amend the Franchise Agreement as follows:

1. The Franchise Agreement is amended by adding a new Article 13.7 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 13 to the contrary, we will not refuse to grant you a successor franchise without good cause. Furthermore, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision not to grant you a successor franchise, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

2. The Franchise Agreement is amended by adding a new Article 14.5 thereof which shall read in its entirety as follows: "Notwithstanding anything in this Article 14 to the contrary, we will not terminate this Agreement without good cause. Furthermore, to the extent required by the Wisconsin Fair Dealership Law, we will provide you at least 90 days written notice of our decision to terminate this Agreement, and to the extent required under Wisconsin law, you will then have at least 60 days in which to rectify any claimed deficiencies (unless a larger number of days is otherwise provided herein)."

3. Article 17.13 of the Franchise Agreement is hereby amended by adding the following language to the end thereof: Notwithstanding anything in this Agreement to the contrary, to the extent that any provision of this Agreement conflicts with the Wisconsin Fair Dealership Law, the Wisconsin Fair Dealership Law shall control."

IN WITNESS WHEREOF, the parties have executed this Amendment to the Franchise Agreement on the same day that the Franchise Agreement was executed.

STC FRANCHISING, LLC

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

[CORPORATION OR PARTNERSHIP]

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

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SUN TAN CITY®

EXHIBIT "H"
TO THE DISCLOSURE DOCUMENT

CONFIDENTIALITY AGREEMENT

[ATTACHED]

SUN TAN CITY®

CONFIDENTIALITY AGREEMENT

This is a Confidentiality Agreement (this "Agreement") dated as of [_____], 202[__], executed in favor of STC Franchising, LLC, a Kentucky limited liability company ("STC") by the undersigned tanning salon operator/potential tanning salon operator ("Restricted Party").

Recitals

WHEREAS, STC offers tanning salon franchises featuring tanning services, tanning equipment, skin care, beauty, spa, health and wellness services and products and related products, services and accessories under the Sun Tan City® brand; and

WHEREAS, the Restricted Party wishes to receive certain criteria and other Confidential Information (as defined below) concerning the Sun Tan City® brand; and

WHEREAS, STC desires to protect the Confidential Information that STC provides to the Restricted Party and requires that all operators that receive any information from STC execute this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Definition of Confidential Information**. For purposes of this Agreement, the term "Confidential Information" shall mean all information, whether written or oral, that may be disclosed or made available by STC, its officers, employees, shareholders, directors, agents, servants, representatives, parents, subsidiaries, affiliates, successors or assigns to the Restricted Party, including, but not limited to: (a) criteria and other guidelines to become an operator of the Sun Tan City® brand; (b) technical, financial, commercial or other information that relates to the business, financial affairs, methods of operation, accounts, transactions or products, proposed transactions or proposed products, intellectual property, and techniques, vendors and clients; (c) information or data relating to the Sun Tan City® system, operations, marketing, policies, procedures, techniques, business information, accounts or personnel; (d) information or data that is confidential or proprietary to a third party and that is in the possession, custody or control of STC, its parents, subsidiaries or affiliates; and (e) all data, notes, summaries or other material derived from the information specified in (a) through (d) above.

2. **Restricted Use**. Restricted Party may use the Confidential Information received from STC only to the extent necessary to evaluate either converting its salon(s) to the Sun Tan City® brand or becoming an operator of Sun Tan City® branded salon(s) (the "Permitted Purpose").

3. **Non-Disclosure of Confidential Information**.

   (a) Restricted Party, for itself and its respective affiliates, employees, agents, members, managers, owners, advisors, shareholders and directors, agree not to use any Confidential Information disclosed to it by STC for any purpose other than for the Permitted Purpose. Restricted Party shall not disclose or permit disclosure of any Confidential Information to any person other than officers, employees and agents of Restricted Party or its affiliates who are required to have the Confidential Information for the Permitted Purpose and who agree to be bound by the provisions hereof, with the Restricted Party remaining responsible for any breach of the provisions of this Agreement by such officers, employees,

and agents of Restricted Party. Restricted Party agrees that it shall take all reasonable measures to protect the secrecy of and avoid disclosure or use of the Confidential Information (except for in the context of the Permitted Purpose) in order to prevent such Confidential Information from falling into the public domain or the possession of persons other than those persons authorized under this Agreement to have any such Confidential Information. Such measures shall include, but not be limited to, the highest degree of care that Restricted Party utilizes to protect its own Confidential Information of a similar nature, which shall be no less than reasonable care. Restricted Party agrees to notify STC in writing of any actual or suspected misuse, misappropriation or unauthorized disclosure of Confidential Information which may come to Restricted Party's attention.

(b) Notwithstanding the above, Restricted Party shall have no liability to STC with regard to any Confidential Information which Restricted Party can prove:

i. was in the public domain at the time it was disclosed or has entered the public domain through no fault of Restricted Party;

ii. was known to Restricted Party, without restriction, at the time of disclosure, as demonstrated by information in existence at the time of disclosure;

iii. is disclosed with the prior written approval of STC; or

iv. is disclosed pursuant to the order or requirement of a court, administrative agency, or other governmental body; provided, however, that the Restricted Party shall provide prompt notice of such order or requirement to STC to enable STC to seek a protective order or otherwise prevent or restrict such disclosure.

4. **No Copies**. Restricted Party shall not reproduce any Confidential Information in any form without STC's prior written consent. In addition, Restricted Party shall not decompile, disassemble or reverse engineer any such Confidential Information.

5. **Property of STC**. Unless otherwise specified in writing, all Confidential Information as well as all documents and materials containing any Confidential Information shall remain the property of STC. Upon STC's request, Restricted Party shall deliver to STC all documents and materials containing any Confidential Information or shall certify as to the destruction of all such materials.

6. **Non-Compliance**. Restricted Party acknowledges that its failure to comply with any of the terms of this Agreement will irreparably harm STC's business, and that STC will not have an adequate remedy at law in the event of such non-compliance. Therefore, the parties acknowledge and agree that STC shall be entitled to obtain a court order in any court of competent jurisdiction against acts of non-compliance by Restricted Party of this Agreement, without the posting of bond or other security, in addition to whatever other remedies it may have. The prevailing party in any action to enforce this Agreement shall be entitled to costs and fees (including attorney's fees and expert witness fees) incurred in connection with such action.

7. **Severability and Modification**. If any provision of this Agreement shall be held or declared to be illegal, invalid or unenforceable, such illegal, invalid or unenforceable provision shall not affect any other provision of this Agreement, and the remainder of this Agreement shall continue in full force and effect as though such provision had not been contained in this Agreement. If the scope of any provision in this Agreement is found to be too broad to permit enforcement of such provision to its full extent, the parties

consent to judicial modification of such provision and enforcement to the maximum extent permitted by law.

8. **Governing Law**. This Agreement shall be governed by and construed and interpreted in accordance with the laws of the Commonwealth of Kentucky, without regard to conflicts of law principles.

9. **Term**. Notwithstanding anything to the contrary, until an exception set forth in Article 3(b) applies, the Restricted Party hereby agrees to perpetually maintain the confidentiality of the Confidential Information.

10. **Successors and Assigns**. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties. No rights or obligations under this Agreement may be assigned without the prior written consent of STC. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

11. **Entire Agreement**. This Agreement constitutes the entire agreement between such parties pertaining to the subject matter hereof, and merges all prior negotiations and drafts of the parties with regard to the subject matter hereof. Any and all other written or oral agreements existing between the parties hereto regarding the subject matter hereof are expressly canceled.

IN WITNESS WHEREOF, the Restricted Party has executed this Agreement as of the date set forth above.

RESTRICTED PARTY

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

Address:_____
_____
_____
_____

SUN TAN CITY®

EXHIBIT "I"
TO THE DISCLOSURE DOCUMENT

FRANCHISE LOCATIONS AS OF 12/31/25

Company	Location	Address	City	State	Zip	Phone
Golden Insight LLC	GA Dalton	1327 W. Walnut Ave, Suite 4J	Dalton	GA	30720	706-876-0886
Golden Insight LLC	GA Fort Oglethorpe	2998 Battlefield Pkwy, Suite 102	Fort Oglethorpe	GA	30742	706-956-5010
Golden Insight, LLC	GA Rome	33 Riverbend Drive	Rome	GA	30161	706-622-6800
Dual Leverage Altoona, LLC	IA Altoona	1003 8th Street Southwest Ste H	Altoona	IA	50009	515-967-8826
TWI of Dubuque, Inc.	IA Ames Wheeler Street	809 Wheeler Street, Suite 101	Ames	IA	50010	515-232-1607
Dual Leverage, LLC	IA Ankeny	109 N. Ankeny Blvd.	Ankeny	IA	50023	515-965-1907
TWI of Quad Cities, Inc.	IA Bettendorf	844 Middle Rd #5A	Bettendorf	IA	52722	563-441-2826
TWI of Dubuque, Inc.	IA Cedar Falls	5925 University Ave	Cedar Falls	IA	50613	319-277-1522
TWI of Cedar Rapids, Inc.	IA Cedar Rapids	3200 16th Ave. SW, Suite H	Cedar Rapids	IA	52404	319-363-6581
Dual Leverage Clive, LLC	IA Clive	2180 NW 156th St, Suite 112	Clive	IA	50325	515-987-8559
TWI of Cedar Rapids, Inc.	IA Coralville	119 2nd Street, Suite 200	Coralville	IA	52241	319-339-4826
TWI of Quad Cities, Inc.	IA Davenport Kimberly Road	2172 W. Kimberly Rd	Davenport	IA	52806	563-391-0100
TWI of Quad Cities, Inc.	IA Davenport Utica Ridge	4905 Utica Ridge Road	Davenport	IA	52807	563-355-3367
Dual Leverage Fleur, LLC	IA Des Moines Fleur	4521 Fleur Drive, Suite A	Des Moines	IA	50321	515-412-1290
Dual Leverage Merle Hay, LLC	IA Des Moines Merle Hay	3807 Merle Hay Rd	Des Moines	IA	50310	515-276-5057
TWI of Dubuque, Inc.	IA Dubuque Asbury Road	4867 Asbury Rd, Suite 5	Dubuque	IA	52002	563-585-0555
TWI of Dubuque, Inc.	IA Fort Dodge	2419 5th Ave S, Suite C	Fort Dodge	IA	50501	515-573-8388
Dual Leverage Johnston, LLC	IA Johnston	10100 NW 62nd Avenue	Johnston	IA	50131	515-986-2114
JAM Enterprises, LLC	IA LeMars	1121 Hawkeye Ave. SW	LeMars	IA	51031	712-546-8140

Company	Location	Address	City	State	Zip	Phone
TWI of Cedar Rapids, Inc.	IA Marion	1725 Blairsferry Rd	Marion	IA	52302	319-377-9062
TWI of Dubuque, Inc.	IA Mason City	2472 4th St, SW	Mason City	IA	50401	641-422-0800
Miracle Dubuque, Inc.	IA Muscatine	1903 Park Ave,Suite 2100	Muscatine	IA	52761	563-263-8267
TWI of Cedar Rapids, LLC	IA North Liberty	195 Highway 965	North Liberty	IA	52317	319-450-0433
JAM Enterprises, LLC	IA Sioux City Hillcrest	2500 Glenn Ave, Suite 73	Sioux City	IA	51106	712-274-9360
JAM Enterprises, LLC	IA Sioux City Perry Creek	1782 Hamilton Blvd	Sioux City	IA	51103	712-277-9555
TWI of Dubuque, Inc.	IA Waterloo	3856 Hammond Ave	Waterloo	IA	50702	319-235-8002
Dual Leverage WDM, LLC	IA West Des Moines	640 S 50th St	West Des Moines	IA	50265	515-457-8800
Baja Sun, LLC	ID Idaho Falls	2050 Jennie Lee Drive	Idaho Falls	ID	83404	208-523-2252
J.B. & Associates, Incorporated	KS Lawrence	2626 Iowa Street	Lawrence	KS	66046	785-856-1361
J.B. & Associates, Incorporated	KS Manhattan	1100 West Loop Place	Manhattan	KS	66502	785-320-5777
J.B. & Associates, Incorporated	KS Overland Park	13737 Metcalf Avenue	Overland Park	KS	66223	913-814-8400
J.B. & Associates, Incorporated	KS Shawnee Mission Parkway	12268 Shawnee Mission Parkway	Shawnee	KS	66216	913-400-3360
STC Partners, LLC	KY Hopkinsville	4000 Ft. Campbell Blvd	Hopkinsville	KY	42240	270-881-4186
Today's Tanning, Inc.	LA Bossier City Beene Blvd	2664 Beene Blvd.	Bossier City	LA	71111	318-629-7862
Today's Tanning, Inc.	LA Monroe	2252 Tower Drive, Suite 109	Monroe	LA	71201	318-855-5740
Today's Tanning, Inc.	LA Ruston	1102 Cooktown Road	Ruston	LA	71270	318-202-5866
Today's Tanning, Inc.	LA Shreveport Eastgate	1718 East 70th Street	Shreveport	LA	71105	318-797-8862
Today's Tanning, Inc.	LA Shreveport New Castle	880 Bert Kounes Industrial Loop Suites G & H	Shreveport	LA	71118	318-687-8888
Today's Tanning, Inc.	LA West Monroe	2207 Cypress Street, Suite 4	Monroe	LA	71292	318-759-0396
STC New England LLC	ME Auburn	624 Tuner Street Suite 2b	Auburn	ME	04210	207-376-4240
STC New England LLC	ME Augusta	144 Western Ave, Suite 2	Augusta	ME	04330	207-621-2826
STC New England LLC	ME Bangor	621 Broadway	Bangor	ME	04401	207-262-3770

Company	Location	Address	City	State	Zip	Phone
STC New England LLC	ME Belfast	138 Main St	Belfast	ME	04915	207-338-3357
STC New England LLC	ME Biddeford	121 Shops Way	Biddeford	ME	04005	207-282-9800
STC New England LLC	ME Brewer	365 Wilson St	Brewer	ME	04412	207-989-6042
STC New England LLC	ME Scarborough	456 Payne Road	Scarborough	ME	04074	207-219-8243
STC New England LLC	ME Portland	726 Forest Ave	Portland	ME	04103	207-771-8900
STC New England LLC	ME Sanford	1364 Main St, Unit 10B	Sanford	ME	04073	207-459-7300
STC New England LLC	ME Brunswick	147 Bath Road, Suite A180	Brunswick	ME	04011	207-798-4826
STC New England LLC	ME Waterville	251 Kennedy Memorial Dr, Ste 109	Waterville	ME	04901	207-872-8772
TWI of Dubuque, Inc.	MN Austin	1004 18th Ave NW, Suite B	Austin	MN	55912	507-433-7303
TWI of Dubuque, Inc.	MN Winona	1035 Frontenac Dr., Ste B	Winona	MN	55987	507-474-6065
TWI of Dubuque, Inc.	MN Mankato	201 Sioux Rd, Suite 102	Mankato	MN	56001	507-720-0751
TWI of Dubuque, Inc.	MN Rochester	1300 Salem Rd, SW Suite 720	Rochester	MN	55902	507-258-4027
TWI of Dubuque, Inc.	MN Rochester 22nd	3437 22nd Avenue NW	Rochester	MN	55901	507-322-6204
TWI of Dubuque, Inc.	MN St Cloud	4170 W Division St. Suite 120	St. Cloud	MN	56301	320-217-5817
Sunshine State of Mind, Inc.	MO Nixa	445 West Aldersgate	Nixa	MO	65714	417-725-9994
J.B. and Associates, Incorporated	MO Kansas City Liberty	8646 NE Flintlock Rd	Kansas City	MO	64158	816-407-9575
J.B. and Associates, Incorporated	MO Kansas City Wornall	10155 Wornell Rd	Kansas City	MO	64114	816-941-2419
Sunshine State of Mind, Inc.	MO Ozark	1721 S 20th Street, Suite 101	Ozark	MO	65721	417-832-8267
Sunshine State of Mind, Inc.	MO Springfield East Republic	1730 East Republic Road	Springfield	MO	65804	417-882-7786
Sunshine State of Mind, Inc.	MO Springfield North Kansas	2445 North Kansas Expressway	Springfield	MO	65803	417-863-1452
Sunshine State of Mind, Inc.	MO Springfield South Glenstone	1412 South Glenstone	Springfield	MO	65804	417-882-8028
Sunshine State of Mind, Inc.	MO Springfield West Republic	2767 West Republic Road, Suite 128	Springfield	MO	65807	417-823-8552
J.B. and Associates, Incorporated	MO St. Joseph	409 N. Belt Hwy B	St. Joseph	MO	64506	816-233-4386

Company	Location	Address	City	State	Zip	Phone
Carolina STC Investors LLC	NC Fuquay Commons	1069 Broad Street	Fuquay Varina	NC	27526	919-285-2431
Tri Tanning LLC	NC Burlington	1449 D-1 University Dr	Burlington	NC	27215	336-584-0808
Carolina STC Investors LLC	NC Cary High House	1943 High House Rd	Cary	NC	27519	919-460-1919
Carolina STC Investors LLC	NC Durham Hope Valley	1125 W NC 54 Hwy, Suite 202	Durham	NC	27707	919-493-4292
Carolina STC Investors LLC	NC Garner	82-B Glen Rd	Garner	NC	27529	919-662-9700
Tri Tanning LLC	NC Greensboro	3334-112 West Friendly Center	Greensboro	NC	27408	336-632-8844
Tri Tanning, LLC	NC Greenville	3040 Evans Street, Suite 115	Greenville	NC	27835	252-756-5333
Tri Tanning, LLC	NC Jacksonville	1250 Western Boulevard	Jacksonville	NC	28546	910-378-8023
Tri Tanning, LLC	NC New Bern	3017-C Martin Luther King Jr. Blvd.	New Bern	NC	28562	252-672-1667
Carolina STC Investors LLC	NC Raleigh Falls Village	6625 Falls of the Neuse Rd, Suite 105	Raleigh	NC	27615	919-845-8262
Carolina STC Investors LLC	NC Raleigh Creedmoor	8111 Creedmoor Rd	Raleigh	NC	27613	919-518-2995
Tri Tanning, LLC	NC Wilmington Oleander Drive	4512 Oleander Drive #100	Wilmington	NC	28403	910-399-4860
J.B. and Associates, Incorporated	NE Grand Island	201 Wilmar Ave	Grand Island	NE	68803	308-384-3128
Metallic Tan, Inc.	NE Bellevue	3512 Samson Way, Suite 126	Bellevue	NE	68123	402-291-3800
J.B. and Associates, Incorporated	NE Kearney	5012 3rd Ave, Suite 130	Kearney	NE	68845	308-234-3826
J.B. and Associates, Incorporated	NE Lincoln 27th Street	2720 Dan Ave	Lincoln	NE	68521	402-742-0274
J.B. and Associates, Incorporated	NE Lincoln O Street	6900 O St. Suite 111	Lincoln	NE	68510	402-464-6826
J.B. and Associates, Incorporated	NE Lincoln Pine Lake	1501 Pine Lake Rd. #6	Lincoln	NE	68512	402-423-8266
J.B. and Associates, Incorporated	NE Omaha 132nd and Maple	13110 Birch Dr #120	Omaha	NE	68164	402-492-8080
J.B. and Associates, Incorporated	NE Omaha 144th and Center	14516 W Center Rd	Omaha	NE	68144	402-334-1826
J.B. & Associates, Incorporated	NE Omaha Pacific	1110 South 71st Street, Suite G	Omaha	NE	68106	402-384-8267
Metallic Tan, Inc.	NE Omaha Millard	16919 Audrey St, Suite 80	Omaha	NE	68136	402-891-0772
STC New England LLC	NH Concord	80 Storrs St	Concord	NH	03301	603-856-7841

Company	Location	Address	City	State	Zip	Phone
STC New England LLC	NH Dover	851 Central Ave	Dover	NH	03820	603-740-8980
STC New England LLC	NH Keene	346 Winchester Street	Keene	NH	03431	603-354-3128
STC New England LLC	NH Manchester	582 Valley St	Manchester	NH	03103	603-836-5177
STC New England LLC	NH Rochester	306 N Main St	Rochester	NH	03867	603-948-1005
STC New England LLC	NH Salem	265 S Broadway, Ste 3	Salem	NH	03079	603-458-6250
STC New England LLC	NH Stratham	20 Portsmouth Ave	Stratham	NH	03885	603-580-2314
Planet Sun, LLC	NJ Cliffside Park	715 Anderson Avenue	Cliffside Park	NJ	07010	201-941-2500
Sunbar, LLC	NJ East Hanover	58 Route 10 West	East Hanover	NJ	07936	973-998-0961
Sunbar 2, LLC	NJ Fair Lawn	17-13 Broadway	Fair Lawn	NJ	07410	973-998-0961
Planet Sun, LLC	NJ Hoboken 14th St	55-14th Street	Hoboken	NJ	07030	201-222-8520
Planet Sun, LLC	NJ Hoboken Midtown	416 Washington Street	Hoboken	NJ	07030	201-683-4300
Planet Sun, LLC	NJ Montvale	106A Chestnut Ridge Road	Montvale	NJ	07645	201-746-2456
Sunbar, LLC	NJ Morris Plains	970 Tabor Road	Morris Plains	NJ	07950	973-998-0961
Planet Sun, LLC	NJ Rochelle Park	60 Essex Street	Rochelle Park	NJ	07662	201-843-6700
Planet Sun, LLC	NJ Rutherford	32 Park Avenue	Rutherford	NJ	07070	201-438-7070
Sunbar, LLC	NJ Totowa	650 Union Blvd	Totowa	NJ	07512	973-998-0961
STC Partners, LLC	PA Dallas	41 Dallas Shopping Center, Rte 309	Dallas	PA	18612	570-675-7259
STC Partners, LLC	PA Dickson City	1550 Main Ave	Dickson City	PA	18519	570-383-7708
STC Partners, LLC	PA Edwardsville	23D Gateway Shopping Center, Rte 11	Edwardsville	PA	18704	570-714-1723
Eastern Tennessee Tanning LLC	TN Knoxville Bearden	4914 Kingston Pike	Knoxville	TN	37919	865-602-2097
Eastern Tennessee Tanning LLC	TN Maryville	1058 Hunters Crossing	Alcoa	TN	37701	865-984-5029
Golden Insight LLC	TN Chattanooga Hamilton Place	2107 Gunbarrell Rd, Suite 109	Chattanooga	TN	37421	423-893-6937
Golden Insight LLC	TN Chattanooga Signal Mountain	531 Signal Mountain Rd	Chattanooga	TN	37405	423-531-3067
STC Partners, LLC	TN Clarksville Madison	2347 Madison Street	Clarksville	TN	37403	931-648-8066

Company	Location	Address	City	State	Zip	Phone
STC Partners, LLC	TN Clarksville Wilma Rudolph	2722 Wilma Rudolph Blvd	Clarksville	TN	37040	931-645-6688
Golden Insight LLC	TN Cleveland	295 Paul Huff Parkway	Cleveland	TN	37312	423-479-2991
MTT Tanning LLC	TN Cookeville	586 S Jefferson Ave	Cookeville	TN	38501	931-520-3113
STC Partners, LLC	TN Dickson	133 Henslee Drive	Dickson	TN	37055	615-441-0081
Tri Tanning LLC	TN Greeneville	3797 E Andrew Johnson Parkway	Greeneville	TN	37745	423-525-5941
Golden Insight LLC	TN Hixson	5550 Hwy 153, Suite 106	Hixson	TN	37343	423-475-5417
Tri Tanning LLC	TN Jackson University	1478 Union University Drive	Jackson	TN	38305	731-664-1866
Tri Tanning LLC	TN Johnson City	2111 North Roan Street #20	Johnson City	TN	37601	423-631-0411
Tri Tanning LLC	TN Johnson City Encore	2108 W Market St	Johnson City	TN	37604	423-232-6007
Tri Tanning LLC	TN Kingsport	2003 N Eastman Rd	Kingsport	TN	37660	423-765-2667
Eastern Tennessee Tanning LLC	TN Knoxville Fountain City	5222 N Broadway	Knoxville	TN	37918	865-687-2035
Eastern Tennessee Tanning LLC	TN Knoxville Powell	6631 Clinton Hwy, Suite 101	Knoxville	TN	37912	865-859-9829
Eastern Tennessee Tanning LLC	TN Knoxville Turkey Creek	10917 Parkside Dr	Knoxville	TN	37934	865-675-3270
Eastern Tennessee Tanning LLC	TN Knoxville West Town	240 Morrel Rd	Knoxville	TN	37919	865-690-1098
MTT Tanning LLC	TN McMinnville	835 Smithville Highway, Suite C2	McMinnville	TN	37110	931-474-8261
Tri Tanning LLC	TN Morristown	463 S Davy Crockett Pkwy	Morristown	TN	37813	423-307-5500
MTT Tanning LLC	TN Oak Ridge	280 S Illinois Ave	Oak Ridge	TN	37830	865-483-4222
Golden Insight LLC	TN Ooltewah	5910 Reagan Lane, Suite 106	Ooltewah	TN	37363	423-910-0113
Pacific Tan, Inc.	TX Odessa Eastridge	6038 Eastridge Road	Odessa	TX	79762	432-362-6262
STC Virgina LLC	VA Charlottesville Pantops	1938 Abbey Road, Suite 180	Charlottesville	VA	22911	434-977-0782
Tri Tanning, LLC	VA Bristol	175 Dominion Place, Suite 1	Bristol	VA	24202	276-644-9898
STC Virgina LLC	VA Blacksburg	1340 South Main Street	Blacksburg	VA	24060	540-552-0608
STC Virgina LLC	VA Culpeper	15327 Creativity Drive	Culpeper	VA	22701	540-812-2650
STC Virgina LLC	VA Danville	364 Lowes Dr	Danville	VA	24540	434-425-4110
STC Virgina LLC	VA Lynchburg	3919 B Wards Rd	Lynchburg	VA	24502	434-239-8266

Company	Location	Address	City	State	Zip	Phone
STC Virgina LLC.	VA Roanoke Hunting Hills	4208 Franklin Rd, #9	Roanoke	VA	24014	540-989-1800
STC Virgina LLC	VA Roanoke Valley View	4750-35 Valley View Blvd	Roanoke	VA	24012	540-366-0020
STC Virgina LLC	VA Rocky Mount	400 Old Franklin Turnpike, Ste 114	Rocky Mount	VA	24151	540-484-4928
STC Virgina LLC	VA Staunton	850 Statler Avenue	Staunton	VA	24401	540-885-1115
STC Virgina LLC	VA Waynesboro	901C West Broad St	Waynesboro	VA	22980	540-946-7360
TWI of Dubuque, Inc.	WI Eau Claire	2157 East Ridge Center	Eau Claire	WI	54701	715-855-9490
TWI of Dubuque, Inc.	WI Fitchburg	6309 McKee Rd Suite 500	Fitchburg	WI	53719	608-278-1109
TWI of Dubuque, Inc.	WI Greenfield	6160 W. Layton Ave	Greenfield	WI	53220	414-251-0063
TWI of Dubuque, Inc.	WI Hales Corners	5774 South 108th St	Hales Corners	WI	53130	414-246-1090
TWI of Dubuque, Inc.	WI Madison East Towne Way	4327 East Towne Way	Madison	WI	53704	608-242-7715
TWI of Dubuque, Inc.	WI Madison West Towne Way	7327 West Towne Way	Madison	WI	53719	608-827-8884
TWI of Dubuque, Inc.	WI Onalaska	9348 State Hwy16, Suite 230	Onalaska	WI	54650	608-781-8276
TWI of Dubuque, Inc.	WI Pewaukee	2140 Silvernail Road, Suite 4	Pewaukee	WI	53072	262-207-4717
TWI of Dubuque, Inc.	WI Platteville	125 S Water St	Platteville	WI	53818	608-348-9006
TWI of Dubuque, Inc.	WI Waukesha	2140 West Saint Paul	Waukesha	WI	53188	262-226-2240
TWI of Dubuque, Inc.	WI Menomonee Falls	N78 W 14583 Appleton Ave, Units 16 and 17	Menomonee Falls	WI	53051	262-345-2220
Krautech Enterprises, LLC .	WI Wisconsin Rapids	930 Kuhn Ave	Wisconsin Rapids	WI	54494	715-421-5452

SUN TAN CITY®

EXHIBIT "I-1"
TO THE DISCLOSURE DOCUMENT

FRANCHISE LOCATIONS THAT CEASED
DOING BUSINESS IN THE FISCAL YEAR ENDING 12/31/2025

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Company	Location	Address	City	State	Zip	Phone
TWI of Dubuque, Inc.	IA Ames	4518 Mortensen Rd	Ames	IA	50014	515-292-8388
TWI of Dubuque, Inc.	IA Dubuque Plaza 20	2600 Dodge St	Dubuque	IA	52003	563-585-1518
STC Philadelphia, LLC[1]	PA Philadelphia Grant Ave	2550 Grant Avenue, Suite 120	Philadelphia	PA	19114	215-904-5415
STC Philadelphia, LLC[1]	PA Roxborough	6024 Ridge Ave, Suite 106	Philadelphia	PA	19128	215-482-2826
STC Philadelphia, LLC[1]	PA West Chester	107 Turner Lane	West Chester	PA	19380	610-696-5048
Planet Sun, LLC	NJ West New York	4914 Kennedy Blvd	West New York	NJ	07093	201-864-3100
PDJ Enterprises, Inc. [1]	WV Morgantown	1062 Sun Crest Towne Centre Drive	Morgantown	WV	26505	304-241-4087

1. Note: These franchised outlets were purchased from the franchisee for cash and other consideration by our parent, STC Consolidated Operations, LLC, in a transaction that closed on or about December 1, 2025.

SUN TAN CITY®

EXHIBIT "J"
TO THE DISCLOSURE DOCUMENT

FY 2023 TO 2025 AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025

[ATTACHED]

STC FRANCHISING, LLC

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025 AND 2024
with
INDEPENDENT AUDITOR'S REPORT

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MATHER & COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd
Louisville, KY 40222

INDEPENDENT AUDITOR'S REPORT

The Member
STC Franchising, LLC

Opinion

We have audited the accompanying financial statements of STC Franchising, LLC (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations, member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's financial position as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibilities for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mather + Co. CPAs, LLC

Louisville, Kentucky
March 23, 2026

STC FRANCHISING, LLC

BALANCE SHEETS
December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash	**$ 32,369**	$ 142,145
Accounts receivable, net	**406,684**	356,028
Receivable from affiliated company	**18,479**	43,410
Other	**23,795**	28,519
Total current assets	**481,327**	570,102
Goodwill	**257,000**	257,000
Total assets	**$ 738,327**	$ 827,102
LIABILITIES AND MEMBER'S CAPITAL		
Current liabilities		
Accounts payable	**$ 24,500**	$ 18,471
Current portion of contract liabilities	**12,500**	13,084
Payable to member	**1,092**	42,336
Total current liabilities	**38,092**	73,891
Long-term portion of contract liabilities	**14,250**	26,750
Member's capital	**685,985**	726,461
Total liabilities and member's capital	**$ 738,327**	$ 827,102

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF OPERATIONS
Years ended December 31, 2025 and 2024

	2025	2024
Revenue		
Royalties and production fees	**$ 6,143,645**	$ 5,770,219
Area development and initial franchise fees	**13,083**	98,779
Franchisee vendor rebates	**476,108**	515,151
Total revenue	**6,632,836**	6,384,149
Operating expenses	**708,312**	729,865
Net income	**$ 5,924,524**	$ 5,654,284

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF MEMBER'S CAPITAL
Years ended December 31, 2025 and 2024

	2025	2024
Balance at beginning of year	**$ 726,461**	$ 612,177
Net income	**5,924,524**	5,654,284
Distributions to member	**(5,965,000)**	(5,540,000)
Balance at end of year	**$ 685,985**	$ 726,461

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF CASH FLOWS
Years ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income	**$ 5,924,524**	$ 5,654,284
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	**(50,656)**	2,115
Other current assets	**4,724**	4,897
Accounts payable	**6,029**	6,997
Contract liabilities	**(13,084)**	(19,278)
Receivable from/payables to member and affiliated company	**(16,313)**	(91,959)
Net cash provided by operating activities	**5,855,224**	5,557,056
Cash flows from financing activities		
Distributions to member	**(5,965,000)**	(5,540,000)
Net cash used in financing activities	**(5,965,000)**	(5,540,000)
Net (decrease) increase in cash	**(109,776)**	17,056
Cash at beginning of year	**142,145**	125,089
Cash at end of year	**$ 32,369**	$ 142,145

See accompanying notes.

1. Nature of business and summary of significant accounting policies

Nature of business – STC Franchising, LLC (the Company) is a wholly-owned subsidiary of STC Consolidated Operations, LLC (STC Consolidated) and is part of a collection of entities affiliated through ownership and management that invest in, operate, and franchise tanning salons under the name Sun Tan City. The Company is licensed as the franchisor of the Sun Tan City tanning salon brand. Under franchise agreements, the Company is responsible for the performance of various services including provision of operational information and guidance, site location assistance, training, and marketing programs. The Company has franchise agreements in various states with concentrations in Iowa, Maine, Missouri, Nebraska, New Jersey, North Carolina, Tennessee, Virginia, and Wisconsin.

Accounting principles – The accompanying financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates – The preparation of financial statements in conformity with GAAP 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.

Fair value measurements – The Company applies the *Fair Value Measurement* topic of the Accounting Standards Codification (ASC) which requires companies to determine fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The *Fair Value Measurement* topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and applies in conjunction with other ASC topics that require or permit fair value measurements and disclosures. Impacted assets and liabilities are measured and disclosed in one of three categories based on the significance and source of the inputs to their valuation. The hierarchy consists of three broad levels: Level 1, Level 2, and Level 3. Level 1 inputs have the highest priority and consist of observable unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs have the lowest priority, are unobservable, and include judgments about the assumptions that market participants would use in pricing the asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. When available, management measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Management uses specific valuation techniques that are consistent with other market participants based on the available inputs to measure the fair values of any impacted assets and liabilities. However, the use of different methodologies or assumptions to determine fair values of certain assets and liabilities could result in different fair value measurements. The valuation methods used by the Company may produce fair value calculations that may not be indicative of net realizable values, or reflective of future fair values. No Company assets or liabilities are subject to fair value measurements as of December 31, 2025 and 2024.

Revenue recognition – The Company's revenue is comprised of franchise royalty and production fees, initial franchise fees, area development fees; and rebates from certain product suppliers based on product purchases by the Company's franchisees.

Revenue from franchise royalty and production fees, initial franchise fees, and area development fees is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Accordingly, such revenue is recognized when promised goods and services are transferred to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those goods and services utilizing the following five-step process:

Identify the contract(s) with a customer – The Company's management has identified franchise agreements and area development agreements with its franchisees as contracts related to the sources of franchise revenue identified above. A contract with a franchisee is generally considered to occur when the Company agrees to grant certain rights to use its intellectual property to the franchisee over the term of the related agreement. Management has determined collectability of royalty and production fees, and initial franchise fees is probable because such amounts are retained from revenues collected by the Company on behalf of the Company's franchisees before remittance to such franchisees. Collection of area development fees occurs at or near the execution date of an area development agreement and is therefore determined by management to be probable.

Identify the performance obligations in each contract – Management has determined the contract types identified above have single performance obligations. Because the Company's granting of certain rights to use its intellectual property over the term of a franchise agreement and substantially all other services the Company provides under such an agreement are highly interrelated and not distinct within the agreement (including insignificant pre-opening services), management has determined they are to be accounted for as a single performance obligation. Management has determined the single performance obligation under an area development agreement to be the granting of exclusive salon development rights within specified geographical areas.

Determine the transaction price – Management has determined the transaction prices for the Company's contract types identified above to be the amounts identified in the respective agreements.

Allocate the transaction price to the performance obligations in each contract – Allocation of the transaction price to performance obligations is not necessary as management has determined the Company's contracts contain a single performance obligation as described above.

Recognize revenue when or as a performance obligation is satisfied – Royalty and production fees are based upon a percentage of monthly franchise salon sales over the term of the related franchise agreement and are recognized at a point in time as franchise salon sales occur. Nonrefundable one-time fees from franchisees in the form of initial franchise fees and area development fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Upon default under an area development agreement, the Company may reacquire the rights pursuant to the agreement, and all remaining unamortized revenue is recognized at that time.

Revenue from franchise vendor rebates is not generated from contracts with customers and therefore is recognized in accordance with ASC Topic 605, *Revenue Recognition*. Accordingly, such revenue is recognized on the accrual basis.

Accounts receivable – Accounts receivable primarily represent royalties and production fees, and unpaid franchisee vendor rebates and are recognized when the Company's right to consideration is unconditional.

The Company carries its accounts receivable at the amount management considers to be collectible. Credit losses are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience, review of current period outstanding accounts receivable, and projection of future activity in the allowance for credit losses. Effective December 31, 2025, the Company prospectively adopted the practical expedient and made the accounting election for nonpublic entities available under Accounting Standards Update (ASU) No. 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*, issued by the Financial Accounting Standards Board in July 2025. ASU 2025-05 provides a practical expedient for nonpublic entities which allows those entities to estimate expected credit losses for accounts receivable and contract assets by assuming current conditions as of the balance sheet date persist for the remaining life of the asset, and for those entities who adopt the practical expedient to elect to consider collection activity related to the asset after the balance sheet date. The adoption of ASU 2025-05 had no impact on the Company's estimate of credit losses. As of December 31, 2025 and 2024, the Company's management does not anticipate any collection losses. Accordingly, no allowance for credit losses is recorded as of December 31, 2025 and 2024. There was no provision for expected credit losses, no write-offs, or any recoveries collected during the years ended December 31, 2025 and 2024. The Company does not accrue interest on accounts receivable. Delinquent status for franchisee-related receivables is

based on the franchisee's failure to follow the contractual payment terms specified in the related franchise agreement. Accounts receivable are written off when management has exhausted collection attempts and concludes the amounts are uncollectible.

Goodwill – Goodwill represents the excess of acquisition costs over the amounts allocated to assets acquired. Management has elected to evaluate goodwill annually for possible impairment utilizing qualitative factors to determine whether it is more likely than not that the fair value of a franchise agreement is less than its carrying amount. If management determines through its qualitative factors analysis that it is more likely than not that the fair value of a franchise agreement is less than its carrying amount, management compares the fair value of the franchise agreement to its carrying amount, including related goodwill. If this comparison reflects impairment, then the loss is measured as the excess of recorded goodwill over the carrying amount of the related franchise agreement. If quantitative analysis is warranted, management utilizes discounted cash flow analysis. Management's annual goodwill evaluation relies on Level 3 inputs including estimates and assumptions regarding future franchisee operating results, cash flows, changes in market and industry conditions, and profitability, among others. Although management believes the estimates and assumptions used to evaluate goodwill are reasonable, the use of different methodologies or assumptions to perform the evaluations could result in different fair value determinations. No goodwill impairment loss has been recognized for the years ended December 31, 2025 and 2024.

Income taxes – The Company is a disregarded entity for income tax reporting purposes. Accordingly, its results are included with STC Consolidated in its federal and state income tax returns. STC Consolidated is a limited liability company taxed as a partnership in accordance with the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements because those taxes are the responsibility of STC Consolidated's members. The Company's allocable portion of local income taxes is paid by STC Consolidated and is not included in the accompanying financial statements. If the Company's allocable portion of local income taxes was included in the accompanying financial statements, its inclusion would not have a significant impact on the Company's financial position as of December 31, 2025 and 2024, or on the results of its operations and its cash flows for the years then ended.

GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken uncertain tax positions that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Company and STC Consolidated and has concluded that as of December 31, 2025 and 2024, there are no uncertain positions taken, or expected to be taken, that would require recognition of a tax liability (or asset), or disclosure in the financial statements. The Company and STC Consolidated are subject to routine income tax audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Years ended December 31, 2025 through 2022 remain subject to Internal Revenue Service examination, and years ended December 31, 2025 through 2021 remain subject to examination by various states.

Subsequent events – Management has evaluated subsequent events through March 23, 2026, the date which the financial statements were available for issue.

2. Accounts receivable

Accounts receivable, net as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Royalties and fees	**$ 401,380**	$ 401,808
Franchisee vendor rebates	**5,304**	12,248
Total accounts receivable, net	**$ 406,684**	$ 414,056

Accounts receivable, net related to contracts with customers as of January 1, 2024 totaled $358,143.

3. Contract liabilities

Contract liabilities as of December 31, 2025 and 2024 consist of the following:

	2025	2024
Unearned initial franchise fees	**$ 26,750**	$ 39,834
Less current portion	**12,500**	13,084
Long-term portion	**$ 14,250**	$ 26,750

Contract liabilities as of January 1, 2024 totaled $59,112.

Expected future revenue recognition of contract liabilities for each of the years subsequent to December 31, 2025 is as follows:

2026	$ 12,500
2027	8,750
2028	5,500
Total contract liabilities	$ 26,750

4. Debt and related commitment and contingency

The Company, STC Consolidated, and certain affiliates (collectively, the Affiliates) have a loan agreement with a financial institution. The Affiliates are subject to certain restrictive covenants under the agreement. These covenants include a minimum financial ratio related to debt service coverage, certain financial reporting requirements, and certain restrictions regarding issuance of additional debt. The agreement also restricts the Affiliates from entering into lease obligations in excess of $100,000. The Affiliates' assets are cross-collateralized on all notes and obligations under the loan and security agreement which includes assignment of the Company's franchise agreements. In addition, the Affiliates' ownership interests are pledged as security under the agreement. The loan agreement includes a term note and a line-of-credit. As of December 31, 2025, the Affiliates' outstanding balances related to the term note and the line-of-credit total approximately $15.1 million and $3.2 million, respectively.

5. Franchises and salons

Franchisees operate under the Sun Tan City brand. Franchises total 29 and 32 as of December 31, 2025 and 2024, respectively.

The following table summarizes the franchisee salon activity for the years ended December 31, 2025 and 2024:

Salons as of January 1, 2024	165
Salons opened	-
Salons closed	(3)
Salons as of December 31, 2024	162
Salons opened	**-**
Salons acquired by STC Consolidated	**(5)**
Salons closed	**(3)**
Salons as of December 31, 2025	**154**

6. Related party transactions and balances

Certain officers and owners of entities affiliated with the Company have equity interests in entities that own franchised salons. Revenue from these related franchise entities total approximately $1,144,000 and $977,000 for the years ended December 31, 2025 and 2024, respectively, and related accounts receivable total approximately $85,000 and $57,000 as of December 31, 2025 and 2024, respectively.

The Company has a management service agreement with an affiliated entity. The management service agreement calls for fees to be paid to the affiliate to provide the Company certain legal, accounting, and other professional support services. Fees for services provided to the Company under the management service agreement total approximately $563,000 and $541,000 for the years ended December 31, 2025 and 2024, respectively, and are included in operating expenses on the accompanying statements of operations.

7. Risks, uncertainties, and concentrations

The Company issues franchises for the Sun Tan City tanning salon brand. As a result, the Company's future revenue is dependent upon the success, growth, and support of the Sun Tan City tanning brand, and the Company's franchisees.

Accounts receivable from three franchisees represent approximately 38% of the Company's total accounts receivable as of December 31, 2025, and from one franchisee represents approximately 14% of the Company's total accounts receivable as of December 31, 2024.

The Company's franchisees purchase certain tanning products from two suppliers. Product purchases from these suppliers represent a significant portion of total product purchases by the Company's franchisees. Management believes a reduction in availability from these suppliers would not have a significant adverse impact on the Company's franchisees' future product sales, or the Company's revenues or net income, as other suppliers of similar products exist and could be utilized as either additional product providers or as a replacement for the current primary product suppliers. Approximately 97% of the Company's franchisee vendor rebates revenue relates to franchisee purchases from these two vendors for the years ended December 31, 2025 and 2024.

STC FRANCHISING, LLC

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023
with
INDEPENDENT AUDITOR'S REPORT

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MATHER &COMPANY
SOLUTION-DRIVEN CPAs and Business Advisors

Mather & Co. CPAs, LLC
Suite 200
9100 Shelbyville Rd.
Louisville, KY 40222

INDEPENDENT AUDITOR'S REPORT

The Member
STC Franchising, LLC

Opinion

We have audited the accompanying financial statements of STC Franchising, LLC (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, member's capital, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Company's financial position as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mather + Co. CPAs, LLC

Louisville, Kentucky
March 31, 2025

STC FRANCHISING, LLC

BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
ASSETS		
Current assets		
Cash	**$ 142,145**	$ 125,089
Accounts receivable	**356,028**	358,143
Receivable from affiliated company	**43,410**	-
Other	**28,519**	33,416
Total current assets	**570,102**	516,648
Goodwill	**257,000**	257,000
Total assets	**$ 827,102**	$ 773,648
LIABILITIES AND MEMBER'S CAPITAL		
Current liabilities		
Accounts payable	**$ 18,471**	$ 11,474
Current portion of contract liabilities	**13,084**	19,278
Payables to member and affiliated company	**42,336**	90,885
Total current liabilities	**73,891**	121,637
Long-term portion of contract liabilities	**26,750**	39,834
Member's capital	**726,461**	612,177
Total liabilities and member's capital	**$ 827,102**	$ 773,648

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF OPERATIONS
Years ended December 31, 2024 and 2023

	2024	2023
Revenue		
Royalties and production fees	**$ 5,770,219**	$ 5,328,870
Area development and initial franchise fees	**98,779**	56,369
Franchisee vendor rebates	**515,151**	695,065
Total revenue	**6,384,149**	6,080,304
Operating expenses		
General and administrative	**729,865**	664,775
Total operating expenses	**729,865**	664,775
Net income	**$ 5,654,284**	$ 5,415,529

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF MEMBER'S CAPITAL
Years ended December 31, 2024 and 2023

	2024	2023
Balance at beginning of year	**$ 612,177**	$ 581,648
Net income	**5,654,284**	5,415,529
Distributions to member	**(5,540,000)**	(5,385,000)
Balance at end of year	**$ 726,461**	$ 612,177

See accompanying notes.

STC FRANCHISING, LLC

STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net income	**$ 5,654,284**	$ 5,415,529
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	**2,115**	14,658
Other current assets	**4,897**	5,125
Accounts payable	**6,997**	1,521
Contract liabilities	**(19,278)**	(37,369)
Receivable from/payables to member and affiliated company	**(91,959)**	21,235
Net cash provided by operating activities	**5,557,056**	5,420,699
Cash flows from financing activities		
Distributions to member	**(5,540,000)**	(5,385,000)
Net cash used in financing activities	**(5,540,000)**	(5,385,000)
Net increase in cash	**17,056**	35,699
Cash at beginning of year	**125,089**	89,390
Cash at end of year	**$ 142,145**	$ 125,089

See accompanying notes.

1. Nature of business and summary of significant accounting policies

Nature of business – STC Franchising, LLC (the Company) is a wholly-owned subsidiary of STC Consolidated Operations, LLC (STC Consolidated) and is part of a collection of entities affiliated through ownership and management that invest in, operate, and franchise tanning salons under the name Sun Tan City. The Company is licensed as the franchisor of the Sun Tan City tanning salon brand. Under franchise agreements, the Company is responsible for the performance of various services including provision of operational information and guidance, site location assistance, training, and marketing programs. The Company has franchise agreements in various states with concentrations in Iowa, Maine, Missouri, Nebraska, New Jersey, North Carolina, Tennessee, Virginia, and Wisconsin.

Accounting principles – The accompanying financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Estimates – The preparation of financial statements in conformity with GAAP 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.

Fair value measurements – The Company applies the *Fair Value Measurement* topic of the Accounting Standards Codification (ASC) which requires companies to determine fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The *Fair Value Measurement* topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and applies in conjunction with other ASC topics that require or permit fair value measurements and disclosures. Impacted assets and liabilities are measured and disclosed in one of three categories based on the significance and source of the inputs to their valuation. The hierarchy consists of three broad levels: Level 1, Level 2, and Level 3. Level 1 inputs have the highest priority and consist of observable unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. Level 2 inputs include: a) quoted prices for similar assets or liabilities in active markets; b) quoted prices for identical or similar assets or liabilities in inactive markets; c) inputs other than quoted prices that are observable for the asset or liability; and d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 3 inputs have the lowest priority, are unobservable, and include judgments about the assumptions that market participants would use in pricing the asset or liability.

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to its fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs. Management uses specific valuation techniques based on the available inputs to measure the fair values of the Company's impacted assets and liabilities. When available, management measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The valuation methods used by the Company may produce fair value calculations that may not be indicative of net realizable values, or reflective of future fair values. Furthermore, while management believes the valuation methods utilized are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair values of certain assets and liabilities could result in different fair value measurements as of December 31, 2024 and 2023.

Revenue recognition – The Company's revenue is comprised of franchise royalty and production fees, initial franchise fees, area development fees; and rebates from certain product suppliers based on product purchases by the Company's franchisees.

Revenue from franchise royalty and production fees, initial franchise fees, and area development fees is recognized in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Accordingly, such revenue is recognized when promised goods and services are transferred to customers in an amount that reflects consideration to which the Company expects to be entitled in exchange for those goods and services utilizing the following five-step process:

Identify the contract(s) with a customer – The Company's management has identified franchise agreements and area development agreements with its franchisees as contracts related to the sources of franchise revenue identified above. A contract with a franchisee is generally considered to occur when the Company agrees to grant certain rights to use its intellectual property to the franchisee over the term of the related agreement. Management has determined collectability of royalty and production fees, and initial franchise fees is probable because such amounts are retained from revenues collected by the Company on behalf of the Company's franchisees before remittance to such franchisees. Collection of area development fees occurs at or near the execution date of an area development agreement and is therefore determined by management to be probable.

Identify the performance obligations in each contract – Management has determined the contract types identified above have single performance obligations. Because the Company's granting of certain rights to use its intellectual property over the term of a franchise agreement and substantially all other services the Company provides under such an agreement are highly interrelated and not distinct within the agreement (including insignificant pre-opening services), management has determined they are to be accounted for as a single performance obligation. Management has determined the

single performance obligation under an area development agreement to be the granting of exclusive salon development rights within specified geographical areas.

Determine the transaction price – Management has determined the transaction prices for the Company's contract types identified above to be the amounts identified in the respective agreements.

Allocate the transaction price to the performance obligations in each contract – Allocation of the transaction price to performance obligations is not necessary as management has determined the Company's contracts contain a single performance obligation as described above.

Recognize revenue when or as a performance obligation is satisfied – Royalty and production fees are based upon a percentage of monthly franchise salon sales over the term of the related franchise agreement and are recognized at a point in time as franchise salon sales occur. Nonrefundable one-time fees from franchisees in the form of initial franchise fees and area development fees are recognized as revenue on a straight-line basis over the term of the respective agreement. Upon default under an area development agreement, the Company may reacquire the rights pursuant to the agreement, and all remaining unamortized revenue is recognized at that time.

Revenue from franchise vendor rebates is not generated from contracts with customers and therefore is recognized in accordance with ASC Topic 605, *Revenue Recognition*. Accordingly, such revenue is recognized on the accrual basis.

Accounts receivable – Accounts receivable primarily represent royalties and production fees, and unpaid franchisee vendor rebates and are recognized when the Company's right to consideration is unconditional.

The Company carries its accounts receivable at the amount management considers to be collectible. Credit losses are provided for on the basis of anticipated collection losses. The estimated losses are determined from historical collection experience, review of current period outstanding accounts receivable, and projection of future activity in the allowance for credit losses. As of December 31, 2024 and 2023, the Company's management does not anticipate any collection losses. Accordingly, no allowance for credit losses is recorded as of December 31, 2024 and 2023. There was no provision for expected credit losses, no write-offs, or any recoveries collected during the years ended December 31, 2024 and 2023. The Company does not accrue interest on accounts receivable. Delinquent status for franchisee-related receivables is based on the franchisee's failure to follow the contractual payment terms specified in the related franchise agreement. Accounts receivable are written off when management has exhausted collection attempts and concludes the amounts are uncollectible.

Goodwill – Goodwill represents the excess of acquisition costs over the amounts allocated to assets acquired. Management has elected to evaluate goodwill annually for possible

impairment utilizing qualitative factors to determine whether it is more likely than not that the fair value of a franchise agreement is less than its carrying amount. If management determines through its qualitative factors analysis that it is more likely than not that the fair value of a franchise agreement is less than its carrying amount, management compares the fair value of the franchise agreement to its carrying amount, including related goodwill. If this comparison reflects impairment, then the loss is measured as the excess of recorded goodwill over the carrying amount of the related franchise agreement. If quantitative analysis is warranted, management utilizes discounted cash flow analysis. Management's annual goodwill evaluation relies on Level 3 inputs including estimates and assumptions regarding future franchisee operating results, cash flows, changes in market and industry conditions, and profitability, among others. Although management believes the estimates and assumptions used to evaluate goodwill are reasonable, the use of different methodologies or assumptions to perform the evaluations could result in different fair value determinations. No goodwill impairment loss has been recognized for the years ended December 31, 2024 and 2023.

Income taxes – The Company is a disregarded entity for income tax reporting purposes. Accordingly, its results are included with STC Consolidated in its federal and state income tax returns. STC Consolidated is a limited liability company taxed as a partnership in accordance with the Internal Revenue Code. Accordingly, no provision for federal or state income taxes has been made in the accompanying financial statements because those taxes are the responsibility of STC Consolidated's members. The Company's allocable portion of local income taxes is paid by STC Consolidated and is not included in the accompanying financial statements. If the Company's allocable portion of local income taxes was included in the accompanying financial statements, its inclusion would not have a significant impact on the Company's financial position as of December 31, 2024 and 2023, or on the results of its operations and its cash flows for the years then ended.

GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken uncertain tax positions that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken by the Company and STC Consolidated and has concluded that as of December 31, 2024 and 2023, there are no uncertain positions taken, or expected to be taken, that would require recognition of a tax liability (or asset), or disclosure in the financial statements. The Company and STC Consolidated are subject to routine income tax audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Years ended December 31, 2024 through 2021 remain subject to Internal Revenue Service examination, and years ended December 31, 2024 through 2020 remain subject to examination by various states.

Subsequent events – Management has evaluated subsequent events through March 31, 2025, the date which the financial statements were available for issue.

2. Accounts receivable

Accounts receivable as of December 31, 2024 and 2023 consist of the following:

	2024	2023
Royalties and fees	**$ 401,808**	$ 343,613
Franchisee vendor rebates	**12,248**	14,530
Total accounts receivable	**$ 414,056**	$ 358,143

Accounts receivable related to contracts with customers as of January 1, 2023 totaled $372,801.

3. Contract liabilities

Contract liabilities as of December 31, 2024 and 2023 consist of the following:

	2024	2023
Unearned initial franchise fees	**$ 39,834**	$ 59,112
Less current portion	**13,084**	19,278
Long-term portion	**$ 26,750**	$ 39,834

Contract liabilities as of January 1, 2023 totaled $96,481.

Expected future revenue recognition of contract liabilities for each of the years subsequent to December 31, 2024 is as follows:

2025	13,084
2026	12,500
2027	8,750
2028	5,500
Total contract liabilities	$ 39,834

4. Debt and related commitment and contingency

The Company, STC Consolidated, and certain affiliates (collectively, the Affiliates) have a loan agreement with a financial institution. The Affiliates are subject to certain restrictive covenants under the agreement. These covenants include a minimum financial ratio related to debt service coverage, certain financial reporting requirements, and certain restrictions

regarding issuance of additional debt. The agreement also restricts the Affiliates from entering into lease obligations in excess of $100,000. The Affiliates' assets are cross-collateralized on all notes and obligations under the loan and security agreement. In addition, the Affiliates' ownership interests are pledged as security under the agreement. The loan agreement includes a term note and a line-of-credit. As of December 31, 2024, the Affiliates' outstanding balances related to the term note and the line-of-credit total approximately $11.5 million and $4.3 million, respectively. Additionally in January 2025, the Affiliates entered into a $7.5 million five-year term loan agreement with the financial institution.

5. Franchises and salons

Franchisees operate under the Sun Tan City brand. Franchises total 35 as of December 31, 2024 and 2023.

The following table summarizes the franchisee salon activity for the years ended December 31, 2024 and 2023:

Salons as of January 1, 2023	160
Salons opened	11
Salons closed	6
Salons as of December 31, 2023	165
Salons opened	**-**
Salons closed	**3**
Salons as of December 31, 2024	**162**

6. Related party transactions and balances

Certain officers and owners of entities affiliated with the Company have equity interests in entities that own franchised salons. Revenue from these related franchise entities total approximately $977,000 and $746,000 for the years ended December 31, 2024 and 2023, respectively, and related accounts receivable total approximately $57,000 and $44,000 as of December 31, 2024 and 2023, respectively.

The Company has a management service agreement with an affiliated entity. The management service agreement calls for fees to be paid to the affiliate to provide the Company certain legal, accounting, and other professional support services. Fees for services provided to the Company under the management service agreement total approximately $541,000 and $554,000 for the years ended December 31, 2024 and 2023, respectively, and are included in general and administrative expenses on the accompanying statements of operations.

7. Risks, uncertainties, and concentrations

The Company issues franchises for the Sun Tan City tanning salon brand. As a result, the Company's future revenue is dependent upon the success, growth, and support of the Sun Tan City tanning brand, and the Company's franchisees.

Accounts receivable from one franchisee represents approximately 14% and 15% of the Company's total accounts receivable as of December 31, 2024 and 2023, respectively.

The Company's franchisees purchase certain tanning products from two suppliers. Product purchases from these suppliers represent a significant portion of total product purchases by the Company's franchisees. Management believes a reduction in availability from these suppliers would not have a significant adverse impact on the Company's franchisees' future product sales, or the Company's revenues or net income, as other suppliers of similar products exist and could be utilized as either additional product providers or as a replacement for the current primary product suppliers. Approximately 97% and 98% of the Company's franchisee vendor rebates revenue relates to franchisee purchases from these two vendors for the years ended December 31, 2024 and 2023, respectively.

8. Subsequent events

Subsequent to December 31, 2024, the Company renewed a franchise agreement with one of its franchisees related to one salon. The franchise agreement has a 10-year term.

SUN TAN CITY®

EXHIBIT "K"
TO THE DISCLOSURE DOCUMENT

SAMPLE GENERAL RELEASE

Franchisee for itself and all persons and entities claiming by, through or under it, releases, acquits and forever discharges STC FRANCHISING, LLC and its officers, employees, shareholders, directors, agents, servants, representatives, parents, subsidiaries, affiliates, successors and assigns (the "STC Releasees") from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which Franchisee, by itself, on behalf of, or in conjunction with any other persons or entities, had, has or claims to have against the STC Releasees including specifically, but not exclusively and without limiting the generality of the foregoing, any and all correspondence, representations, certifications, warranties, promises or acts made in reliance upon any one or more of the same, whether oral or written, or based in whole or in part on events occurring prior to the date of this Agreement, connected with or related to the Franchise Agreement.

I HAVE READ THE ABOVE AGREEMENT, WHICH CONTAINS A RELEASE, AND UNDERSTAND ITS TERMS. I WOULD NOT SIGN THIS AGREEMENT IF I DID NOT UNDERSTAND AND AGREE TO BE BOUND BY ITS TERMS.

FRANCHISEE:

By:_____

SUN TAN CITY®

EXHIBIT "L"
TO THE DISCLOSURE DOCUMENT

STATE EFFECTIVE DATES

[ATTACHED]

SUN TAN CITY®

STATE EFFECTIVE DATES

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

This document is effective and may be used in the following states where the document is filed, registered, or exempt from registration as of the Effective Date stated below:

State:	Effective Date:
Illinois	
Indiana	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

SUN TAN CITY®

EXHIBIT "M"
TO THE DISCLOSURE DOCUMENT

FRANCHISE DISCLOSURE DOCUMENT RECEIPTS

[ATTACHED]

SUN TAN CITY®

RECEIPT – FRANCHISEE'S COPY

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT, THE AREA DEVELOPMENT AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

IF WE OFFER YOU A FRANCHISE, WE MUST PROVIDE THIS DISCLOSURE DOCUMENT TO YOU 14 CALENDAR DAYS BEFORE YOU SIGN A BINDING AGREEMENT WITH, OR MAKE A PAYMENT TO, US OR AN AFFILIATE IN CONNECTION WITH THE PROPOSED FRANCHISE SALE. MICHIGAN REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT LEAST 10 BUSINESS DAYS BEFORE THE EXECUTION OF ANY BINDING FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION, WHICHEVER OCCURS FIRST. NEW YORK LAW REQUIRES THAT WE GIVE YOU THIS DISCLOSURE DOCUMENT AT THE EARLIER OF THE FIRST PERSONAL MEETING OR AT LEAST 10 BUSINESS DAYS BEFORE THE EXECUTION OF THE FRANCHISE OR OTHER AGREEMENT OR THE PAYMENT OF ANY CONSIDERATION THAT RELATED TO THE FRANCHISE RELATIONSHIP.

IF WE DO NOT DELIVER THIS DISCLOSURE DOCUMENT ON TIME OR IF IT CONTAINS A FALSE OR MISLEADING STATEMENT, OR A MATERIAL OMISSION, A VIOLATION OF FEDERAL AND STATE LAW MAY HAVE OCCURRED AND SHOULD BE REPORTED TO THE FEDERAL TRADE COMMISSION, WASHINGTON, D.C. 20580 AND THE APPROPRIATE STATE AGENCY IDENTIFIED ON EXHIBIT "A".

The franchise seller offering the franchise is Beth Edelen on behalf of STC Franchising, LLC located at 101 Catalog Drive, Elizabethtown, KY 42701, with an office number of (855) 727-2684. Our resident agent authorized to receive service of process is Christopher J. Sternberg, 445 E. Market Street, Suite 310, Louisville, Kentucky 40202.

The disclosure document issuance date is March 31, 2026.

I received a disclosure document dated [_____], 20[__] that included the following Exhibits:

A. STATE SPECIFIC POINTS OF CONTACT
B. FRANCHISE AGREEMENT
    EXHIBIT A OWNERSHIP ADDENDUM
    EXHIBIT B OWNERS' PERSONAL GUARANTY OF FRANCHISEE'S OBLIGATIONS
    EXHIBIT C EXHIBIT TO LEASE – SUN TAN CITY FRANCHISOR'S LEASE ADDENDUM
    EXHIBIT D SECURITY AGREEMENT
    EXHIBIT E SALON CLIENT SERVICES AGREEMENT
C. AREA DEVELOPMENT AGREEMENT
    EXHIBIT A OWNERSHIP ADDENDUM
    EXHIBIT B OWNERS' PERSONAL GUARANTY OF AREA DEVELOPER'S OBLIGATIONS
D. STC REGISTERED AGENTS
E. CONVERSION ADDENDUM
F. WELLNESS CITY™ TESTING AND CONVERSION ADDENDUM
G. STATE SPECIFIC ADDENDA
H. CONFIDENTIALITY AGREEMENT
I. FRANCHISE LOCATIONS
I-1 FRANCHISE LOCATIONS THAT CEASED DOING BUSINESS IN THE LAST FISCAL YEAR
J. CURRENT FRANCHISOR FINANCIAL STATEMENTS
K. SAMPLE GENERAL RELEASE
L. FRANCHISE DISCLOSURE DOCUMENT RECEIPTS

Prospective Franchisee Signature:

_____
Individually and/or as an officer or partner of

_____, a _____ corporation/partnership/limited liability company

Date:_____

Witness:_____

SUN TAN CITY®
RECEIPT – FRANCHISOR'S COPY

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT, THE AREA DEVELOPMENT AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

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L. FRANCHISE DISCLOSURE DOCUMENT RECEIPTS

Prospective Franchisee Signature:

_____
Individually and/or as an officer or partner of

_____, a _____ corporation/partnership/limited liability company

Date:_____

Witness:_____