

AUG 26 2015

VICE PRESIDENT/SECRETARY PAUL SPINDLER

San Francisco Office

Mr Spindler is one of our co-founders and has been our Vice President and Secretary since our inception in December 2009, and he was the Founder and Director of Melonhead Corporation located in Toronto, Ontario, Canada from 2001 to January 2013

**ITEM 3
LITIGATION**

Annette Lindsey Gartner, et al vs Blo Blow Dry Bar, Inc , et al (Superior Court of California, County of LA, Case No BC 490979) Plaintiffs (“Gartner”), who are franchisees of the franchisor, brought an action in late 2012 alleging breach of contract, fraud and deceit and violation of the Unfair Trade Practices Act. The case was settled prior to defendants (“BBDB”) interposing an answer. The settlement terms for the franchise agreement were that Gartner would not have to pay royalties for the remainder of the term and for any renewals of their franchise agreement, Gartner will be permitted to sell cosmetics and if they wish, Gartner can terminate their franchise agreement on 30 days’ notice. Under the terms of the settlement all obligations between the parties under the Development Agent Agreement and Distribution Agreement were terminated.

Other than this settlement, no litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

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

**ITEM 5
INITIAL FEES**

In the State of Illinois, all fees are deferred until all initial obligations owed the Franchisee by the Franchisor have been completed and the Franchisee has commenced doing business/opened for business. However, you must execute the Franchise Agreement prior to looking for a site or beginning training. This deferral has been imposed by the Illinois Attorney General’s Office based on the Franchisor’s financial condition.

FRANCHISE AGREEMENT

Initial Franchise Fee

The initial franchise fee is \$30,000. You will pay this fee in a lump sum to us when you sign the Franchise Agreement and is fully earned by us. The initial franchise fee is imposed uniformly on all franchisees and it is not refundable, except that if you are unable to secure an accepted site for your Franchised Business within 180 days after the Franchise Agreement is signed, or if you are unable to complete our initial training program to our satisfaction, we have the right to terminate your Franchise Agreement and we will refund the initial franchise fee, less our reasonable expenses. The initial franchise fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees.

If you are a qualified United States Veteran, then we will discount the initial franchise fee by 10% (currently, \$3,000).

2 6 4 sell and provide the services and Proprietary Products authorized for sale by Blo Blow Dry Bar Franchises under the Marks or other trade names, trademarks, service marks and commercial symbols through similar or dissimilar channels (including telephone, mail order, co-branded sites and sites located within other retail businesses, Intranet, Internet, web sites, wireless, email or other forms of e-commerce) for distribution within and outside of the Exclusive Territory and according to the terms and conditions we consider appropriate, and

2 6 5 solicit prospective franchisees for, and own and operate, businesses of any other kind or nature, anywhere

ARTICLE 3

FEES

3 1 Franchise Fee

Upon execution of this Agreement, you shall pay a fee (“Franchise Fee”) to us via certified check or wire transfer in immediately available funds in the amount of Thirty Thousand Dollars (\$30,000) The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable, except that if you are unable to secure an accepted site for your Franchised Business within one hundred eighty (180) days after this Agreement is signed, or if you are unable to complete our initial training program to our satisfaction, we have the right to terminate this Agreement and we will refund the Franchise Fee, less our reasonable expenses The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as set forth in this Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees

In the State of Illinois, all fees are deferred until all initial obligations owed the Franchisee by the Franchisor or affiliates have been completed and the Franchisee has commenced doing business/opened for business However, you must execute the Franchise Agreement prior to looking for a site or beginning training This deferral has been imposed by the Illinois Attorney General’s Office based on the Franchisor’s financial condition

3 2 Royalty Fee

On the fifth (5th) day of each month, you shall pay to us without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a monthly fee (“Royalty Fee”) equal to six percent (6%) of Gross Sales for the previous calendar month Each Royalty Fee shall be accompanied by a Gross Sales Report, as required by Section 12 2, for the same period You shall provide the Gross Sales Report to us by facsimile transmission, e-mail or in such other form as we specify

If you do not report the Gross Sales, we may debit your account for one hundred twenty percent (120%) of the last Royalty and Advertising Fund Contribution (described in Section 3 3 below) that we debited If the Royalty and Advertising Fund Contribution we debit are less than the Royalty and Advertising Fund Contribution you actually owe us, once we have been able to determine your true and correct Gross Sales, we will debit your account for the balance on a day we specify If the Royalty and Advertising Fund Contribution we debit are greater than the Royalty and Advertising Fund Contribution you actually owe us, we will credit the excess against the amount we otherwise would debit from your account during the following month

Such proposed site shall be subject to our prior written approval, which will not be unreasonably withheld. In approving or disapproving any proposed site, we will consider such matters as we deem material, including, without limitation, demographic characteristics of the proposed site, traffic patterns, density of population, and other commercial characteristics (including the purchase price or rental obligations and other lease terms for the proposed site) and the size of premises, appearance, and other physical characteristics.

2.2 By delivery of written notice to you, we will approve or disapprove sites proposed by you for the operation of a Bar. We agree to exert our best efforts to deliver such notification to you within thirty (30) days of receipt by us of the complete site reports and other materials requested by us, containing all information reasonably required by us. If you shall have failed to obtain lawful possession of any approved site (through acquisition, lease, or sublease) within thirty (30) days after delivery of our approval thereof, we may, in our sole discretion, withdraw approval of such site.

2.3 Provided you shall have obtained lawful possession of any approved site, we shall offer to you a franchise to operate a Bar at such approved site by delivering to you a Franchise Agreement in form for execution by you. Such Franchise Agreement shall be executed by an officer of you and returned to us within fifteen (15) days of our delivery thereof, with payment of the balance of the initial franchise fee required thereunder. If you fail to execute such Franchise Agreement and tender payment of the balance of the initial franchise fee as above provided, we may, at our sole discretion, terminate our offer to grant to you a franchise to operate a Bar at such approved site and withdraw our approval of such site.

ARTICLE III **MULTI-UNIT DEVELOPER FEE**

Concurrently with the execution of this Agreement, unless otherwise indicated on Exhibit B hereof, you shall pay to us the sum set forth in Section 1 of Exhibit B hereof as a non-refundable Multi-Unit Developer Fee, which shall be deemed fully earned by us upon execution of this Agreement.

In the State of Illinois, all fees are deferred until all initial obligations owed the Franchisee by the Franchisor or affiliates have been completed and the Franchisee has commenced doing business/opened for business. However, you must execute the Franchise Agreement prior to looking for a site or beginning training. This deferral has been imposed by the Illinois Attorney General's Office based on the Franchisor's financial condition.

ARTICLE IV **TERMINATION BY US**

In addition to our right to terminate under Section 1.4 hereof, we shall have the right to terminate this Agreement by delivering a notice to you stating that we elect to terminate this Agreement as a result of any of the breaches set forth below. Such termination shall be effective upon delivery of such notice of termination or, if applicable, upon failure to cure (to our satisfaction) any such breach by the expiration of any period of time within which such breach may be cured in accordance with the provisions set forth below. It shall be a material breach of this Agreement if

(a) you, or any of your shareholders, make an unauthorized assignment or transfer of this Agreement or an ownership interest in you,

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