

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the Franchise Agreement ("FA"), RD Agreement ("RDA") and other agreements. It will help you find more detailed information about your obligations in these agreements and other items in this Disclosure Document.

OBLIGATION	SECTIONS IN AGREEMENT	DISCLOSURE DOCUMENT ITEM
a. Site selection and acquisition/lease	FA: Section 7.1 & 7.2	Item 7 & 11
	RDA: Not Applicable	
b. Pre opening purchases/leases	FA: Section 7.3, 12.4 & 16.1	Item 5, 7, 8 & 11
	RDA: 16.4 & 19.3	
c. Site development and other pre opening requirements	FA: Section 7.3 & 7.4	Item 6, 7 & 11
	RDA: Not Applicable	
d. Initial and ongoing training	FA: Section 5	Item 6 & 11
	RDA: Section 10	
e. Opening	FA: Section 7.4	Item 11
	RDA: Section 3	
f. Fees	FA: Section 4.2, 5.1, 5.3, 5.4, 6.6, 7.5, 8.4, 11.1, 11.4, 12.6, 12.9, 12.11, 13, 20.2	Item 5 & 6
	RDA: Section 5, 7.2, 8.4, 10.2, 10.3, 12.7, 16.4(b), 16.4(d) & 25.15(vi)	
g. Compliance with standards and policies/Operating Manuals	FA: Section 6.1, 7.1, 7.3, 11.3, 12 & 18.1	Item 11
	RDA: Section 11.1, 12, 13, 14, 15, 16 & 21.1	
h. Trademarks and proprietary information	FA: Section 18	Item 13 & 14
	RDA: Section 21	
i. Restrictions on products/services offered	FA: Section 12.3	Item 16
	RDA: Section 16.3	
j. Warranty and client service requirements	FA: Section 12.10	Not Applicable
	RDA: Section 16.2	
k. Territorial development and sales quotas	FA: Not Applicable	Item 12
	RDA: Section 12.1	
l. Ongoing product/service purchases	FA: Section 12.4	Item 8
	RDA: Section 16.4	
m. Maintenance, appearance and remodeling requirements	FA: Section 12.5 & 12.7	Item 11
	RDA: Not Applicable	
n. Insurance	FA: Section 16.1	Item 6, 7 & 8
	RDA: Section 19.3	
o. Advertising	FA: Section 11	Item 6, 7 & 11

Notes:

1. The revenues reflected in the table above refer to gross revenues, excluding taxes and customer refunds. They do not account for operating expenses or franchise related fees. Note that the outlets operated by our affiliate Kharsa pay marketing fund fees but do not pay royalties or other franchise related fees.

2. Neither we nor any independent certified public accountant has independently audited or verified the information reflected in the table above.

3. Of the outlets listed above, our affiliate Kharsa owned and operated 6 locations as of January 1, 2009 (all of which were "Qualifying Salons"), 10 locations as of December 31, 2009 (6 of which were "Qualifying Salons") (4 of these 10 locations were sold to franchisees during 2010), 6 locations as of December 31, 2010 (6 of which were "Qualifying Salons"), 6 locations as of December 31, 2011 (6 of which were "Qualifying Salons") and 7 locations as of June 30, 2012 (6 of which were "Qualifying Salons").

The following presents certain financial performance information for all Qualifying Salons that were owned and operated by our affiliate Kharsa as of the relevant measuring date.

AFFILIATE OWNED SALONS				
	12/31/2009	12/31/2010	12/31/2011	6/30/2012 (trailing 12 month period)
Total Number of Open Salons	10	6	6	7
Number of Qualifying Salons (open 24 months)	6	6	6	6
Range of Revenues (Low & High)	Low: \$173,339 High: \$581,868	Low: \$277,829 High: \$479,273	Low: \$345,439 High: \$544,635	Low: \$345,164 High: \$563,133
Average Salon Revenues	\$ 385,626	\$383,303	\$ 454,620	\$ 480,584
Number and Percentage of Salons Attaining or Surpassing Average Revenues	2 (33.3%)	3 (50%)	3 (50%)	3 (50%)
Number and Percentage of Salons within 25% of Average Revenues	2 (33.3%) \$289,219 to \$482,032	4 (66.6%) \$287,477 to \$479,128	6 (100%) \$340,965 to \$568,275	5 (83.3%) \$360,438 to \$600,730

Notes:

1. The revenues reflected in the table above refer to gross revenues, excluding taxes and customer refunds. They do not account for operating expenses or franchise related fees. Note that the outlets operated by our affiliate Kharsa pay marketing fund fees but do not pay royalties or other franchise related fees.

2. Neither we nor any independent certified public accountant has independently audited or verified the information reflected in the table above.

3. Four of the 10 outlets owned and operated by Kharsa in 2010 were sold to franchisees during that year. Therefore, the annual revenues from these outlets in the table above reflect a combination of the revenues while operated by Kharsa and the revenues while operated by the franchisees who purchased the outlets from Kharsa.

(FDD - 2012 California)

The revenue figures are based on the historical results from the operations of iTAN Salons that have been in operation for at least a 24 month period. To date, all iTAN Salons have been located in Southern California. iTAN Salons in other parts of the country may experience different operating results for a variety of reasons, such as variations in consumer tastes, weather conditions, demographics, lifestyles and economic conditions. In addition, the operating results may vary widely depending on the quality and dedication of management. You should note that iTAN salons placed more emphasis on tanning services as opposed to spa services prior to 2010. During 2010 and 2011, the existing iTAN Salons gradually added the various spa services that all iTAN Salons now offer. As a result, the more recent data more accurately reflects the operation of an iTAN Salon offering the full assortment of goods and services that you will offer at your Salon. You should consult with your advisors to develop your own estimates of revenues and expenses for your Salon.

A new franchisee's individual financial results may differ from the results stated in this financial performance representation.

Written substantiation for this financial performance representation will be made available to you upon your reasonable written request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Faraje Kharsa at 640 East Vista Way, Suite D, Vista, California 92084 (or by phone at 760-806-7513), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

A. iTAN Salons

TABLE 1 - SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2009 TO 2011				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2009	10	14	+4
	2010	14	18	+4
	2011	18	18	0
Company-Owned	2009	10	10	0
	2010	10	6	-4
	2011	6	6	0
Total Outlets	2009	20	24	+4
	2010	24	24	0
	2011	24	24	0

TABLE 2 - TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2009 TO 2011		
State	Year	Number of Transfers
California	2009	0

This is a document preview downloaded from FranchisePanda.com. The full document is available for free by visiting: <https://franchisepanda.com/franchises/itan-sun-spray-spa>