

FRANCHISE DISCLOSURE DOCUMENT
HAND AND STONE FRANCHISE LLC
1210 Northbrook Drive, Suite 150
Trevose, Pennsylvania 19053
(215) 259-7540
www.handandstone.com



The franchise offered is for the operation of massage, facial, waxing, skincare, face and body contouring, and face and body sculpting services, and the sale of related retail products under the name Hand and Stone Massage and Facial Spa. We offer our services to the general public in a member and non-member program.

The total investment necessary to begin operation of a Hand and Stone Massage and Facial Spa franchised business is \$578,507 to \$871,602. This includes approximately \$72,150 that must be paid to the franchisor and/or its affiliate.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Jennifer Durham at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053 and (215) 259-7540.

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

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

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

Issuance Date: April 7, 2025

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 or Exhibits E and F.
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 discretion. 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 C includes financial statements. Review these statements 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 HAND AND STONE MASSAGE AND FACIAL SPA 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 franchise 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 HAND AND STONE MASSAGE AND FACIAL SPA franchisee?	Item 20 or Exhibits E and F 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 may 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 requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Pennsylvania. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Pennsylvania than in your own state.

2. **Unopened Franchises.** The franchisor has signed a significant number of franchise agreements with franchisees who have not yet opened their outlets. If other franchisees are experiencing delays in opening their outlets, you also may experience delays in opening your own outlet.

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.

TABLE OF CONTENTS

ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	1
ITEM 2 BUSINESS EXPERIENCE	4
ITEM 3 LITIGATION.....	6
ITEM 4 BANKRUPTCY	6
ITEM 5 INITIAL FEES	6
ITEM 6 OTHER FEES.....	7
ITEM 7 ESTIMATED INITIAL INVESTMENT	12
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	16
ITEM 9 FRANCHISEE’S OBLIGATIONS.....	19
ITEM 10 FINANCING	20
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING.....	20
ITEM 12 TERRITORY	27
ITEM 13 TRADEMARKS	29
ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION.....	31
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS	32
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	33
ITEM 17 RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION	33
ITEM 18 PUBLIC FIGURES.....	38
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATION	39
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION.....	61
ITEM 21 FINANCIAL STATEMENTS	69
ITEM 22 CONTRACTS.....	69
ITEM 23 RECEIPTS	69

EXHIBITS

Exhibit A – List of State Administrators/Agents for Service of Process

Exhibit B – Table of Contents of the Operations Manual

Exhibit C – Financial Statements

Exhibit D – Franchise Agreement

Exhibit A – Approved Location; Protected Territory

Exhibit B – Nondisclosure and Non-Competition Agreement

Exhibit C – Transfer to a Corporation or Limited Liability Company

Exhibit D – Franchise Addendum to Lease Agreement

Exhibit E – Acknowledgment of Telephone Number Ownership

Exhibit F – ACH Agreement

Exhibit E – List of Active Franchise Owners

Exhibit F – List of Franchisees Who Have Left the System
Exhibit G – List of Regional and Area Developers
Exhibit H – State Specific Addenda
Exhibit I – Software Sublicense Agreement
Exhibit J – Architectural Services Agreement
Exhibit K - Sample General Release

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

To simplify the language in this Disclosure Document, the words “we,” “our” and “us” refer to Hand and Stone Franchise LLC, the franchisor of this business. “You” and “your” refer to the person who buys the franchise.

Franchisor, Predecessor and Our Business Activities

We were originally incorporated in the State of New Jersey on April 6, 2005, as Hand and Stone Franchise Corp., for the sole purpose of offering HAND AND STONE MASSAGE AND FACIAL SPA franchises. Hand and Stone Franchise Corp. offered franchises from 2005 to June 2022. It also had previously offered a Regional Developer program. On June 22, 2022, following the Parent Merger (as defined below in this Item 1 under Our Parents, Subsidiaries and Affiliates), Hand and Stone Franchise Corp. converted into Hand and Stone Franchise LLC, a New Jersey limited liability company. Hand and Stone Franchise LLC has been offering franchises since April 2005. Our principal business address is 1210 Northbrook Drive, Trevose, Pennsylvania 19053. We do business under our corporate name and the names “HAND AND STONE”, “HAND AND STONE MASSAGE SPA”, and “HAND AND STONE MASSAGE AND FACIAL SPA”. We have not offered franchises in any other line of business.

We grant franchises to qualified persons in conjunction with the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and certain associated logos (collectively referred to as the “Marks”).* We refer to the “HAND AND STONE MASSAGE AND FACIAL SPA” you will operate as the “Franchised Business.”

HAND AND STONE MASSAGE AND FACIAL SPA offers professional massage, facial, waxing, skincare, face and body contouring, and face and body sculpting services and related retail products. A HAND AND STONE franchise requires approximately 2,200-3,200 square feet of space. They are located in strip malls and shopping centers. You must operate the Franchised Business in accordance with our standards, methods, procedures and specifications, which we refer to as our “System” and which is more particularly described in our Franchise Agreement attached as Exhibit D to this Disclosure Document. We are not engaged in any other line of business. We do not own or operate a business of the type being franchised; however, as of the issuance date of this Disclosure Document, we have wholly owned subsidiaries that operate fifteen (15) HAND AND STONE franchises, one (1) of which is located in New Jersey and fourteen (14) of which are located in Florida.

Our Parents, Subsidiaries and Affiliates

We are a direct, wholly-owned subsidiary of HS Parent Inc., a Delaware corporation. The name and principal business address of each of our direct or indirect parents are as follows:

Name of Company	Principal Business Address	Ownership or Control of Company
HP H&S Parent Holdings, LP	280 Park Avenue, Floor 26 West, New York, NY 10017	Controlled by investment funds affiliated with Harvest Partners LP
HP H&S Parent, Inc.	280 Park Avenue, Floor 26 West, New York, NY 10017	100% owned by HP H&S Parent Holdings, LP

* Capitalized terms not otherwise defined have the same meaning as in our Franchise Agreement attached as Exhibit D to this Disclosure Document.

Name of Company	Principal Business Address	Ownership or Control of Company
HP H&S Purchaser, Inc.	280 Park Avenue, Floor 26 West, New York, NY 10017	100% owned by HP H&S Parent, Inc.
HS Spa Holdings Inc.	1210 Northbrook Drive, Trevose, Pennsylvania 19053	100% owned by HP H&S Purchaser, Inc.
HS Parent LLC	1210 Northbrook Drive, Trevose, Pennsylvania 19053	100% owned by HS Spa Holdings Inc.

On June 2, 2022, our indirect parent, HS Spa Holdings Inc. (“Holdings”), merged with HP H&S Merger Sub, Inc., a Delaware corporation, with Holdings being the surviving entity in the merger (“Parent Merger”). As a result of the Parent Merger, Holdings became a direct subsidiary of HP H&S Purchaser, Inc., a Delaware corporation.

We have the following five subsidiaries (collectively, the “Subsidiaries”) that provide services to the System or operate HAND AND STONE units:

- Our subsidiary HS Hamilton Spa, LLC (“HS Hamilton Spa”) was incorporated in New Jersey on September 5, 2014 with a principal business address at 630 Marketplace Blvd., Hamilton, New Jersey 08691. HS Hamilton Spa currently owns and operates a HAND AND STONE unit in Hamilton, New Jersey. HS Hamilton Spa does not currently offer or has not previously offered franchises in this or any other line of business.
- Our subsidiary H&S Spa Management LLC (“H&S Spa Management”) was incorporated in Pennsylvania on March 15, 2018 with a principal business address at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. H&S Spa Management currently owns and operates 14 HAND AND STONE units in Florida. H&S Spa Management does not currently offer or has not previously offered franchises in this or any other line of business.
- Our subsidiary HSM Advertising, Inc. is headquartered at 1210 Northbrook Drive, Trevose, Pennsylvania 19053 (“Advertising Agency”). Our Advertising Agency will prepare, or arrange for the preparation of, advertising for use in the System, including grand opening advertising campaigns and local advertising materials, and Advertising Agency will manage the Marketing Fund and Local Advertising Fees. Advertising Agency has never operated a business of the type being franchised, and Advertising Agency has never offered franchises in this or any other line of business.
- Our subsidiary, HS Card Services, Inc. (“HS Card Services”), is a Pennsylvania corporation with an office at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. HS Card Services processes gift card sales and manages reimbursement of redeemed gift cards sold through the national site and which are redeemed at Hand and Stone franchise. HS Card Services has never operated a business of the type being franchised, and has never offered franchises in this or any other line of business.
- Our subsidiary, HS Design, LLC (“HS Design”), is a Pennsylvania limited liability company formed in September 2017 with an office at 1210 Northbrook Drive, Trevose, Pennsylvania 19053. HS Design provides the coordination of architectural drawings and other design services as the in-house design company for our franchisees. HS Design has never operated a business of the type being franchised and has never offered franchises in this or any other line of business.

Our affiliate H&S Massage Spa Canada Corporation (“H&S Massage Spa Canada Corporation”) was incorporated in Province of British Columbia on October 9, 2019 with a principal business address at 1210 Northbrook Drive, Trevoise, Pennsylvania 19053. H&S Massage Spa Canada Corporation has never operated a business of the type being franchised but has previously sold HAND AND STONE franchises in Canada. As of the date of this disclosure document, there are 38 HAND AND STONE franchises in Canada currently in operation.

Additionally, on April 28, 2021, the H&S Massage Spa Canada Corporation completed its acquisition of Massage Experts Franchising (2014) Limited (“MEFL”), a Canadian company that offered massage therapy franchises in Canada (the “**Acquisition**”) from April 2013 to April 2021. Following the Acquisition, MEFL became a wholly-owned subsidiary of H&S Massage Spa Canada Corporation and shares the same directors and officers as H&S Massage Spa Canada Corporation. Following the Acquisition, MEFL assigned all existing Canadian franchise agreements and certain other assets used in operating the Massage Experts franchise system to an affiliate of the Master Franchisee, HS Massage Experts Corporation (“**HSMEC**”), an Ontario corporation incorporated on April 15, 2021, following which HSMEC became the new franchisor of the Massage Experts franchise system in Canada. HSMEC has the same principal address as H&S Massage Spa Canada Corporation and offers Massage Expert franchises pursuant to a separate disclosure document. As of the date of this disclosure document, there are 19 Massage Expert franchises in Canada currently in operation.

Our Franchise Program

We grant to persons who meet our qualifications and who are willing to undertake the investment and effort, franchises for the right to own and operate a HAND AND STONE MASSAGE AND FACIAL SPA franchise (the “Franchise”) at a single location that we approve using the Marks, Copyrights and the System. Our current form of Franchise Agreement is attached as Exhibit D. The HAND AND STONE MASSAGE AND FACIAL SPA which involves spas offering massage, facial, waxing, skincare, face and body contouring, and face and body sculpting services and related retail products business (the “Business”) you will own and operate under the Franchise Agreement is referred to as the or your “Business”.

Regional Developers

We previously entered into agreements with individuals who serve as “Regional Developers” and assist us in providing certain ongoing services to franchisees located in certain states. We ceased offering Regional Developer opportunities in 2015. Our current Regional Developers are listed in Exhibit G of this Disclosure Document.

General Description of the Market and Competition

Our concept is targeted to the general public. As a franchisee, you will compete for consumers with a variety of other businesses, including those that only offer massage services, facial services, waxing, skincare, face and body contouring, med spa services, and face and body sculpting services and those that offer spa services in general. Your competition may be local, independent businesses or may be part of a regional or national chain or franchise. Our business concept is not typically seasonal in nature. Demand for the services you offer may be dependent on the local and national economic conditions and their effect on the public’s discretionary spending.

Regulations

Many states have laws and regulations requiring the examination and certification of massage therapists and estheticians. Some states have laws and regulations that restrict the types of services and treatments massage therapists or estheticians can offer. You should investigate whether there are regulations and requirements that may apply in the geographic area in which you are interested in locating a HAND AND STONE franchise and you should consider both their effect and cost of compliance. State, Local, or Federal laws require you to obtain various licenses and/or permits for the operation of your HAND AND STONE franchise. Each state may differ in licensing and permit requirements for the services you will offer. It is your sole responsibility to research the requirements that apply to your specific territory, and to operate your HAND AND STONE franchise in full compliance with all State, Local and/or Federal laws that apply to your business.

ITEM 2 **BUSINESS EXPERIENCE**

CEO and President: John Teza

Mr. Teza joined us in August 2020 as our President and Chief Development Officer. Mr. Teza has been CEO and President since August 2021. From August 2017 until July 2020, he served as a Principal for NRD Capital Management of Atlanta, Georgia. From May 2016 until July 2017, he served as Chief Development Officer of Corner Bakery Café of Dallas, Texas. From April 2011 until November 2015, he served as Chief Development Officer for Jersey Mike's Franchise System of Manasquan, New Jersey.

Chief Financial Officer: Chris Laws

Chris Laws is our Chief Financial Officer and Treasurer since March 2024. Prior to this, Chris served as the Chief Financial Officer of Amtech Software in Fort Washington, Pennsylvania from May 2022 to February 2024. Chris also served as Chief Financial Officer and Chief Operating Officer of Veterinary Practice Partners in King of Prussia, Pennsylvania from September 2018 to May 2022.

Chief Technology Officer: Siddharth Desai

Mr. Desai has served as our Chief Digital and Technology Officer since February 2023. Prior to this, he was employed by Tropical Smoothie Cafe, LLC in Atlanta, Georgia as its Senior Vice President of Technology Strategy and Digital Operations from December 2021 through February 2023 and its Vice President of Technology Strategy and Digital Operations from June 2020 to December 2021. From August 2013 to June 2020, Mr. Desai served as a Senior Vice President for Truist (f/k/a Suntrust Bank) in Atlanta, Georgia serving in various executive leadership positions within Technology, Procurement, and the Corporate Efficiency Office.

Chief Experience Officer: Cindy Meiskin

Ms. Meiskin has been employed by us since February 2012, serving as our Chief Experience Officer since August 2020, our Vice President of Brand Experience between October 2017 until July 2020, our Vice President of Training from January 2016 until October 2017, and as our Director of Training and then Executive Director of Training from February 2012 until December 2015.

Chief Development Officer: Jennifer Durham

Mrs. Durham joined us in December 2022 as our Chief Development Officer. She served as Chief Development Officer for Cooper's Hawk Winery & Restaurants of Downers Grove, IL from April 2019 to December 2022 and as Chief Development Officer for Checkers Drive-In Restaurants of Tampa, FL from July 2001 to April 2019.

Chief Revenue Officer: Sherill Kaplan

Ms. Kaplan has served as our Chief Revenue Officer since September 2024. Before joining Hand and Stone, Ms. Kaplan served as: (i) Chief Digital Officer for Planet Fitness in Hampton, New Hampshire from June 2021 through February 2024, (ii) Global Operations Advisor for Advent in Boston, Massachusetts from March 2020 through June 2021, and (iii) Head of Marketing and Sales for Zipcar in Boston, Massachusetts from May 2018 through March 2020.

Chief Brand Officer: Lisa Rossmann

Ms. Rossmann joined us in 2012, starting off in General Operations. From 2016 until 2021, she served as Director of Esthetics and then VP of Brand Experience. Currently as Chief Brand Officer, she leads the brand's innovation effort and oversees the Service & Product Department.

Chief Spa Officer: Julie Hauser-Blanner

Ms. Hauser Blanner joined us in October 2024 as Chief Spa Officer. She served as Chief Operating Officer of Smalls Sliders in Atlanta, Georgia from April 2024 until October 2024 and Chief Franchise Officer of European Wax Center in Plano, Texas from September 2019 until April 2024.

Chairman of the Board: Todd Leff

Mr. Leff has been our chairman since August 2021. From July 2009 until August 2020, Mr. Leff also served as our President and CEO and then served as our CEO until August 2021. Mr. Leff is a licensed attorney in the Commonwealth of Pennsylvania.

Regional and Area Developers

Attached, as Exhibit G, is a list of our current Regional Developers and Area Developers. Our Regional Developers have management responsibility relating to the offer and sale, and operation of franchises offered by this disclosure document, and Area Developers have management responsibility relating to the offer and sale of franchises offered by this disclosure document.

The remainder of this page is intentionally left blank.

ITEM 3

LITIGATION

Pending Matters

None

Prior Actions

Joseph Muti, et al. v. Hand and Stone Franchise Corp., American Arbitration Association, Case No. 01-17-0003-0067. On May 22, 2017, Joseph Muti, Cydney Muti and Egress 5, Inc. (collectively, “Claimants”) filed a Demand for Arbitration against Hand and Stone Franchise Corp. (“Hand and Stone”). Claimants, former franchisees, asserted claims of breach of contract, fraud, negligent misrepresentation, unjust enrichment, violation of the Federal Trade Commission Franchise Rule, violation of the New Jersey Consumer Fraud Act, violation of the New Jersey Franchise Practices Act, violation of the Illinois Franchise Disclosure Act and Violation of the New Jersey Truth in Consumer Contract Warranty and Notice Act and are sought to rescind the franchise agreement and monetary damages. Claimants’ claims stemmed from Mr. Muti’s purchase of a Hand and Stone franchise and the franchise agreement between the parties. Hand and Stone filed an Answer to the Demand for Arbitration denying all claims and also filed a Counterclaim for breach of contract. On April 6, 2018, the parties settled this matter whereby Hand and Stone agreed to purchase Claimants’ Hand and Stone franchise for \$380,000. In addition, Hand and Stone agreed to assume certain debts related to the operation of Claimant’s franchise in the amount of \$280,000. Claimants agreed to certain non-competition and non-solicitation agreements and the transfer of an undeveloped territory to Hand and Stone.

Other than the above matter, no other 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

Franchise Agreement

The initial franchise fee for your first HAND AND STONE MASSAGE AND FACIAL SPA franchise is \$49,500 and \$32,500 for each additional franchise. The initial franchise fee is paid in a lump sum when you sign the Franchise Agreement, and it is not refundable under any conditions. The Franchise Fee is payment, in part, for expenses incurred by us in furnishing assistance and services to you as stated in the Franchise Agreement and for costs incurred by us, including general sales and marketing expenses, training, legal, accounting and other professional fees. In 2024, as part of a conversion program where select franchise owners agreed to convert their existing spa businesses to HAND AND STONE franchises, we waived the initial franchise fee. The initial franchise fees paid in 2024 ranged from \$0 to \$49,500.

We participate in the International Franchise Association’s VetFran Program and provide a discounted Initial Franchise Fee for individuals honorably discharged from military service. Currently, we provide a 20% discount of the Initial Franchise Fee in connection with our participation in the VetFran program. This discount may be changed or discontinued at our discretion.

We offer a franchise referral program to incentivize existing franchisees to refer new prospective franchisees to our system. Under this program, qualified franchisees who refer a qualified candidate to us may be eligible to receive a referral payment of \$5,000, provided that the candidate signs a franchise agreement with us and pays the required initial franchise fees.

Initial Purchases

Before you open your HAND AND STONE franchise, you must pay us for certain furniture, fixtures and equipment which currently include decorative wall features and chairs. We estimate that these items will cost approximately \$5,150 and it is not refundable under any conditions. You must also pay us a Connectivity Fee of \$2,500 for which you will be connected to all Hand and Stone technology such as the Point-of-Sale System, website and online appointment setting platform. The Connectivity Fee is not refundable.

You must pay Advertising Agency the money to be spent on your grand opening advertising campaign. We, Advertising Agency or our designee will conduct or administer the grand opening advertising campaign on your behalf. The cost of the grand opening advertising campaign is \$15,000. This is not refundable.

There are no other payments to or purchases from us or our affiliates that you must make before your Franchised Business opens.

ITEM 6 OTHER FEES

Type of Fee	Amount	Due Date	Remarks
Royalty Fee	5% of Gross Sales for the first 52 weeks of operation, then 6% of Gross Sales thereafter.	Weekly	See definition of Gross Sales. ¹ (Section 3.2) *
Renewal Fees	25% of then-current Initial Franchise Fee	Before renewal	You must satisfy all renewal requirements; payable before renewal of the agreement (Section 4.2)
Marketing Fund Contribution	1% of Gross Sales	Weekly, with the Royalty Fee	The Marketing Fund is described in Item 11. We retain the right, upon notice to you, to increase the Marketing Fund Contribution by 1%, to up to 2% of Gross Sales
Local Advertising Fee	4% of Gross Sales (with a minimum amount of \$400 per week).	Weekly, with the Royalty Fee	See Item 11. (Section 11.2)
Audit Expenses	All costs and expenses associated with audit.	Upon demand	Audit costs payable only if the audit shows an understatement in amounts due of at least 3%. (Section 12.6)

Type of Fee	Amount	Due Date	Remarks
Late Fees	18% per year or the highest rate allowed by law, whichever is less.	Upon demand	Applies to all overdue Royalty Fees, Marketing Fund Contributions, Local Advertising Fees and other amounts due to us. (Section 3.7) Also applies to any understatement in amounts due revealed by an audit. (Section 12.6)
Insufficient Funds Fee	\$150	Upon Demand	If there are insufficient funds in your bank account to cover each payment to us, including any Royalty Fees, Marketing Fund Contributions, and/or Local Advertising Fees, you must pay us an Insufficient Funds Fee.
Approval of Products or Suppliers	All reasonable costs of evaluation, not to exceed \$500.	Time of evaluation	Applies to new suppliers you wish to purchase from or products you wish to purchase that we have not previously approved. (Section 13.1)
Insurance Policies	Amount of unpaid premiums plus our reasonable expenses in obtaining the policies.	Upon demand	Payable only if you fail to maintain required insurance coverage and we obtain coverage for you. (Section 15.5)
Transfer Fee	50% of the initial franchise fee at the time of transfer.	At the time of transfer	Does not apply to an assignment to a Controlled Entity under Section 18.3 of the Franchise Agreement. (Section 18.2)
Onsite Transfer Training Fee	\$1,850 plus travel expenses for trainers, subject to change	At time of transfer	We will provide for new franchisees buying an existing spa onsite training of one (1) day of lead massage therapist training; one (1) day of lead esthetician training; and two (2) days of front desk training. To be paid by transferee. (Section 18.2)

Type of Fee	Amount	Due Date	Remarks
System Modifications	All costs and expenses of modifications.	As required	If we decide to modify the System by requiring new equipment, fixtures, software, trademarks, etc., you must make the modifications at your expense. (Section 10.3)
Relocation Assistance	\$1,000-\$3,000.	Time of assistance	We will charge you for relocation assistance if you request it and we agree to provide it. (Section 5.6)
Architectural Fee	\$10,500 - \$12,500	Upon Demand	If you choose to use our in-house design company for your architectural drawings and other design services. (Section 5.3). If you used an approved architect, we must review their plans and will charge for the supervisory services. Our charge to review an architect's plans will not exceed \$1,500.
Customer Service	All costs we incur in addressing any complaint raised by any of your customers.	Upon demand	You must reimburse us for any and all costs and expenses we incur in addressing any complaint raised by any of your customers, including, without limitation, the cost of any refund, gift card or other value provided to any such customer. if we determine it is necessary for us to provide service directly to your customers. (Section 3.9)
Ongoing Training Programs	You must pay your expenses as well as your employees' expenses in attending as well as any reasonable program fees. Refresher training will be approximately \$150 per day.	Time of program	Attendance will not be required more than two times per year and collectively will not exceed seven days in any year. You must pay travel costs and living expenses. We may charge a reasonable fee for these ongoing training programs. (Section 8.5)

Type of Fee	Amount	Due Date	Remarks
Additional Training	Rates as published in the Manual; currently, \$350 per day and your expenses as well as your employees' expenses in attending.	Time of service	For new locations, we provide approximately two weeks of pre-opening training for you and three additional assistants, and provide your Therapists with an initial massage protocol training program lasting approximately two days. You pay for additional training if you request it. You are also responsible for travel and living costs. (Section 8.1)
Additional Operations Assistance	Rates as published in the Manual; currently, \$350 per day, plus our expenses.	Time of assistance	We provide approximately five days of assistance around the beginning of operations. You pay for additional assistance if you request it. (Section 8.2)
Customer Resolution Fees	Reasonable costs we incur for responding to a customer complaint, which varies	Upon Demand	Payable if a customer of your Business contacts us with a complaint and we provide a gift card, refund, or other value to the customer as part of our resolving the customers complaint.
Indemnification	All costs including attorneys' fees.	Upon demand	You must defend lawsuits at your cost and hold us harmless against lawsuits arising from your operation of the Franchised Business. (Section 20.3)
Computer Software Maintenance and Support/Cyber Insurance Fee	\$691 Monthly Subscription and Support Fee, and \$35 per month for cyber insurance.	Upon demand	You must pay an ongoing monthly software subscription and support for the Zenoti POS and related software. You must pay for cyber insurance coverage we provide or secure your own policy. We retain the right to increase the Monthly Subscription and Support Fee by no more than 5% each year. (Section 12.5)
Liquidated Damages	See note 2		

Type of Fee	Amount	Due Date	Remarks
Post-Termination and Post-Expiration Expenses ³	Costs and expenses associated with ceasing operations and de-identifying yourself from the Store and our System	As incurred.	
Gift Card and Rewards Program and Membership Program	Will vary	Will vary	You must participate in our gift card program, Rewards Program and membership program. Gift cards are available for sale through our website and at all Hand and Stone Massage and Facial Spas in the System. Gift cards, Rewards Points and membership benefits may be redeemed at any Hand and Stone Massage and Facial Spa in the System, regardless of where they were purchased (Section 13.12)
Computer hardware and software upgrades.	The current annual cost is approximately \$1,000	Will Vary	You must update or upgrade the computer hardware and software as necessary.
Signage Review Fee	\$250	As Incurred	If you elect to source signage from a third-party other than us, you must pay this fee for our review to ensure that the third-party supplier and the signage meets our standards and specifications.
Millwork Review Fee	\$350	As incurred	If you elect to source millwork from a third-party other than our us, you must pay this fee for our review to ensure that the third-party supplier and the millwork meets our standards and specifications.

No other fees or payments are to be paid to us or any of our affiliates, nor do we impose or collect any other fees or payments for any other third party. All fees are nonrefundable.

NOTES:

1. “Gross Sales” means the aggregate of all revenue collected from the sale of products, gift cards, barter or exchange, complimentary services and services from all sources in connection with the Franchised

Business whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that you collect and pay to any governmental taxing authority, and the value of any allowance issued or granted to any of your customers that you credit in full or partial satisfaction of the price of any products and services offered by the Franchised Business.

Provided that you are in compliance with your obligations under the Franchise Agreement, if, during the period beginning on the date you open the Franchised Business and ending on the one-year anniversary of the opening date: (i) the Franchised Business has attained 700 active members, then you will be entitled to a Royalty credit in the amount of 1.0% of Gross Sales commencing on the date the Franchised Business attains its 700th active member and ending on the expiration of the Temporary Royalty Adjustment Period; or (ii) the Franchised Business has attained 1000 active members, then Franchisee shall be entitled to a Royalty credit in the amount of 2% of Gross Sales commencing on the date the Franchised Business attains its 1000th active member and ending on the expiration of the Temporary Royalty Adjustment Period. For clarity, the temporary Royalty credits set forth above shall not be combined and are not intended to be cumulative. The term “Temporary Royalty Adjustment Period” means the period beginning on the date you open the Franchised Business and ending fifty-two weeks after the opening date.

2. If we terminate your Franchise Agreement for cause, you must pay us within 15 days after the effective date of termination liquidated damages equal to the average monthly Royalty Fees you were assessed during the 12 months of operation preceding the effective date of termination multiplied by (a) 36 (being the number of months in three full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower. (Section 17.7). The liquidated damages only cover our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our Marks, Confidential Information, reputation with the public and landlords and damages arising from a violation of any provision of the Franchise Agreement other than the Royalty Fee section. You agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of the Franchise Agreement other than the Royalty Fee provisions.

3. Upon termination, rescission, expiration, non-renewal, and/or transfer of the Franchise Agreement, you are responsible for the costs associated with de-identifying yourself and the Franchised Business from the Hand and Stone System. You must also comply with your post-term covenants against competition discussed in Item 17.

ITEM 7
ESTIMATED INITIAL INVESTMENT
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Franchise Fee ¹	\$26,000 - \$49,500	Cashier's Check	Upon Signing Franchise Agreement	Us
Deposits (Rent, Utilities) ^{2,3}	\$8,793 - \$18,820	As Arranged	Before Beginning Operations	Third Parties

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Leasehold Improvements ⁴	\$335,388 - \$416,605	As Arranged	Before Beginning Operations	Third Parties
Furniture, Fixtures & Equipment ⁵	\$45,841- \$78,613	As Arranged	Before Beginning Operations	Us and Third Parties
Computer/POS System ⁶	\$7,726 - \$18,783	As Arranged	Before Beginning Operations	Third Parties
Connectivity Fee ⁷	\$2,500	As Arranged	Upon Signing Franchise Agreement	Us
Insurance ⁸	\$1,406 - \$3,594	As Arranged	Before Beginning Operations	Third Parties
Office Equipment and Supplies ⁹	\$3,447 - \$10,268	As Arranged	Before Beginning Operations	Approved Suppliers
Camera/Music System ¹⁰	\$9,281 - \$17,255	As Arranged	Before Beginning Operations	Approved Suppliers
Initial Inventory ¹¹	\$12,317 - \$25,847	As Arranged	Before Beginning Operations	Approved Suppliers
Other Pre-Opening Expenses (Travel, Grand Opening) ^{12,14}	\$19,662 - \$24,521	As Arranged	Before Beginning Operations	Third Parties, Us
Signage ¹³	\$12,816 - \$25,311	As Arranged	Before Beginning Operations	Third Parties
Licenses, Permits and Architectural Fees ¹⁵	\$13,555 - \$25,677	As Arranged	Before Beginning Operations	Licensing Authority, and Third Parties or Us
Legal & Accounting ¹⁶	\$2,275- \$9,879	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds ¹⁷ (9 months)	\$77,500- \$144,429	As Arranged	As Necessary	You Determine
TOTAL INVESTMENT¹⁸	\$578,507-\$871,602			

In general, none of the expenses listed in the above chart are refundable, except any security deposits you must make may be refundable.

We do not finance any portion of your initial investment.

NOTES

1. Franchise Fee. The Franchise Fee is described in greater detail in ITEM 5 of this Disclosure Document.
2. Real Estate. This range provides estimated amounts for one month's security deposit plus one month's prepaid rent on a triple-net lease in your first year. You must lease or otherwise provide a suitable facility for the operation of the Franchised Business. Typically, a HAND AND STONE franchise will be located within a strip mall or shopping center and should be approximately 2,200-3,200 square feet. Lease costs will vary based upon the square footage leased, the cost per square foot, your geographic area and the required maintenance costs. We assume you will have to pay the first month's rent and a security deposit equal to one month's rent in advance. The amounts you pay are typically not refundable, but in certain circumstances the security deposit may be.
3. Utility Deposits. If you are a new customer of your local utilities, you will generally have to pay deposits in connection with services such as electric, telephone, gas and water. The amount of deposit will vary depending upon the policies of the local utilities.
4. Leasehold Improvements. The facility must be renovated according to our standards and specifications. The cost of the leasehold improvements will vary depending upon the size of the facility you lease, the location of the Franchised Business, local wage rates, whether union labor is required, and the cost of materials. Landlord may provide partial build-out allowance, and this estimate assumes a landlord contribution of between \$78,458 and \$182,449. Landlord contributions include tenant improvement allowances, free rent or any other capital allocation offset. You may or may not receive landlord contributions. This category includes non-movable millwork and retail tables. The estimates above are based upon most recently completed projects which include both union and non-union labor.
5. Furniture, Fixtures & Equipment. You must purchase (or lease) office and reception area furniture, massage tables, water feature, artwork and equipment necessary for providing the various services offered by HAND AND STONE MASSAGE AND FACIAL SPAS. Although some of these items may be leased, the range shown represents an estimated purchase price.
6. Computer/POS System. You must purchase and install our specified point-of-sale system, which is described in detail in ITEM 11.
7. Connectivity Fee. You must pay an initial fee of \$2,500 for connection to the Hand and Stone Technology, which is described in detail in Item 11 and Section 12.5 of the Franchise Agreement.
8. Insurance. You must purchase the type and amount of insurance specified in Section 15 of the Franchise Agreement in addition to any other insurance that may be required by applicable law, any lender or your landlord. The initial payment shown above represents 25% of the estimated annual premium which is typically paid prior to opening.
9. Office Equipment and Supplies. You must purchase general office supplies including stationery and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors.

10. Camera and Music System. You must purchase and install a camera and music system. The cost of the system and its installation will vary based on competition among suppliers, local wage rates and other factors.
11. Initial Inventory. You must carry an inventory of bags, tissue paper and other packaging goods, plus products for retail sale, such as massage oils, candles, and facial products. The cost of these items may vary based on manufacturers' discounts and specials at the time of purchase and other factors.
12. Travel Expenses. The cost of initial training is included in the Franchise Fee, but you must pay transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose.
13. Signage. This range includes the cost of all signage used in the Franchised Business. The signage requirements and costs will vary based upon the size and location of the Franchised Business, local zoning requirements, landlord specifications and local wage rates for installation.
14. Grand Opening. You must spend a minimum of \$15,000 on Grand Opening Advertising. You must pay this money to Advertising Agency. We, Advertising Agency or our designee will conduct or administer your Grand Opening Advertising campaign on your behalf. In addition, you are required to provide approximately \$2,500 in complimentary services during the Grand Opening event.
15. Licenses, Permits and Architectural Fees. Local government agencies typically charge fees for occupancy permits, operating licenses and sales tax licenses. You must use HS Design or an approved architect. If you used an approved architect, we must review their plans and will charge for the supervisory services. Our charge to review an architect's plans will not exceed \$1,500. Your actual costs may vary based on the requirements of local government agencies.
16. Legal & Accounting. You will need to employ an attorney, an accountant and other consultants of your choosing to assist you in reviewing the franchise agreement and in establishing your Franchised Business. These fees may vary from location to location depending upon the prevailing rates of local attorneys, accountants and consultants.
17. Additional Funds. We recommend that you have a minimum amount of working capital available to cover operating expenses, including employees' salaries, for the first 9 months that the Franchised Business is open. However, we cannot guarantee that our recommendation will be sufficient. Additional working capital may be required if sales are low or operating costs are high.
18. Total. In compiling this chart, we relied on our 20 years of franchising experience, including the most recently completed projects. The amounts shown are estimates only and may vary for many reasons including the size of the facility you lease, the capabilities of your management team, the location of your Franchised Business and your business experience and acumen. You should review these estimates carefully with an accountant or other business advisor before making any decision to buy a franchise. These figures are estimates only and we cannot guarantee that you will not have additional expenses in starting the Franchised Business.

We do not offer, either directly or indirectly, financing to franchisees for any items.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Except as indicated below, you are not required to purchase or lease any goods, services, supplies, fixtures, equipment, inventory or real estate relating to the establishment or operation of the Franchised Business from us or our designees.

Specifications

You must remodel, furnish and equip the Franchised Business according to our standards and specifications in accordance with the Operations Manual (the “Manual”). Many of the products, supplies and services needed in connection with establishing your Franchised Business, such as massage tables, river stones, heaters, fixtures, reception area furniture, paper goods and retail products inventory, computer hardware and software and signs, must meet our specifications for appearance, quality, performance and functionality. Additionally, some of the products, supplies and services needed in connection with the ongoing operation of your Franchised Business, such as paper goods and retail products inventory, gift cards, advertising materials, stationery, software licenses, point-of-sale system or computer services and business insurance, for example, must meet our specifications for appearance, quality, performance and functionality. We list the specifications for these items and services in the Manual or in other written or electronic communications provided to you. We formulate and modify our specifications for products, supplies and services based upon our and our Affiliate’s industry knowledge and our Affiliate’s experience in developing and operating as HAND AND STONE spas.

Approved Suppliers

The products, supplies and services discussed above may only be purchased from Approved Suppliers in accordance with the Manual. We will provide you with a list of these items and services and their Approved Suppliers, which may include or be limited to us or an Affiliate. Our list of Approved Suppliers is contained in our Manual and is subject to change occasionally. We are an Approved Supplier of certain items you must purchase, including lobby furniture, cabinetry and millwork, signage, attention buttons, and HS Design for architectural services, but we may approve alternate suppliers if appropriate.

Advertising Agency is currently the only Approved Supplier for expending the Local Advertising Fee. However, franchisees may use other agencies approved by us for conducting additional local advertising. Advertising Agency and HS Design are solely owned by us. One or more of our officers have an ownership interest in us. There are no other approved suppliers in which any of our officers owns an interest.

In the fiscal year ended December 31, 2024, we and our subsidiaries derived \$39,594,056 (or 35%) of our consolidated total gross revenues of \$121,688,229 from required franchisee purchases and leases. This includes revenues of \$300,177 derived by HS Design from franchisee purchases of design services, and revenues of \$33,030,777 derived by Advertising Agency from franchisee purchases of advertising services. In the fiscal year ended December 31, 2024, Advertising Agency derived \$4,181,623 from commissions on the placement of the required Local Advertising Fees and additional voluntary local advertising contributions. Additionally, Advertising Agency earned commissions totaling \$418,162 from the placement of required Marketing Fund contributions.

To ensure that you have accurate financial records and reporting, during the first year of the term of the Franchise Agreement, you are required to use the services of Accounting Firm. Accounting Firm will gather weekly transactional information from your Franchised Business and enter such information into its

accounting software, reconcile monthly cash and credit card activity, produce monthly financial statements for the Franchised Business, perform bank reconciliations, calculate sales taxes and prepare K-1s.

You are required to purchase a subscription for our designated POS system (currently Zenoti POS) and related software and support from us. We will provide the support in conjunction with the designated POS provider. You are also required to purchase our designated cyber insurance, which includes endpoint management (currently CrowdStrike) for all computers in spa.

If you want to use any item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our Approved Supplier criteria. You must reimburse us for all of our reasonable expenses in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality.

Miscellaneous

For the products you purchase from us or our Affiliates, we or our Affiliate will include a reasonable markup in the price to compensate us for the time and effort involved in providing these products. We may also negotiate group rates, including price terms, for the purchase of equipment, inventory and supplies necessary for the operation of the Franchised Business. Presently, there are no purchasing or distribution cooperatives that you must join. We will receive rebates, discounts or other financial benefits from Approved Suppliers, or any other suppliers based on our franchisees' purchase of goods or services.

Rebates paid by Approved Suppliers range between 2% to 20% of sales to the System or are based on a flat amount per individual franchisee purchase. During the year ended December 31, 2024, we earned rebates totaling \$3,916,641 or 3.2% of our total revenues.

If you want to use any item or service in establishing or operating the Franchised Business that we have not approved (for items or services that require supplier approval), you must first send us sufficient information, specifications or samples for us to determine whether the item or service complies with our standards and specifications or whether the supplier meets our Approved Supplier criteria. You must reimburse us for all of our reasonable expenses in connection with determining whether we will approve an item, service or supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether you may purchase or lease the items or services or if you may purchase from the supplier. Our approval process generally focuses on the supplier's dependability, general reputation and ability to provide sufficient quantity of product or services, and the products' or services' prices and quality.

We, Advertising Agency or any other affiliate may also earn rebates, commissions or other payments based on advertising activities, including from the Marketing Fund, local advertising and grand opening advertising. If we, Advertising Agency or any other affiliate earns these rebates, commission or other payments, there is no restriction on us, Advertising Agency or our affiliate regarding the use of those funds, and we, Advertising Agency or any other affiliate may keep these rebates, commissions or other payments as profit.

We estimate that approximately between 70% and 80% of your purchases in establishing your Franchised Business will be for goods and services that must be purchased from either us or an Approved

Supplier or in accordance with our standards and specifications. We estimate that approximately between 70% and 80% of your purchases on an ongoing basis will be for goods and services that must be purchased from either us or an Approved Supplier, or in accordance with our standards and specifications.

We do not provide or withhold material benefits to you (such as renewal rights or the right to open additional HAND AND STONE spas) based on whether or not you purchase through the sources we designate or approve; however, purchases of unapproved products or from unapproved suppliers in violation of the Franchise Agreement will entitle us to terminate the Franchise Agreement.

Insurance

You must procure within sixty (60) days of the lease execution of an Approved Location identified on Exhibit A to the Franchise Agreement and maintain in full force and effect during its term, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name us as an additional insured, and all shall contain a waiver of all subrogation rights against us and our successors and assigns. No such insurance shall have a deductible or self-insured retention in excess of Five Thousand Dollars (\$5,000.00). In addition to any other insurance that may be required by applicable law, or by lender or lessor, you shall procure:

(a) "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies, and other property used in the operation of the Franchised Business. Your property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

(b) workers' compensation insurance that complies with the statutory requirements of the state in which your Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

(c) comprehensive General Liability Insurance, Professional Liability Insurance, and Employment Practices Liability Insurance (EPLI) against claims for bodily and personal injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or THREE MILLION DOLLARS (\$3,000,000.00) in the aggregate for Professional Liability and General Liability and a minimum liability coverage of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) per occurrence and in the aggregate for EPLI or, if higher, the statutory minimum limit required by state law and coverage for sexual abuse with a minimum sublimit of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) per occurrence or FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) in the aggregate;

(d) automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law;

(e) cyber insurance against claims for privacy and cyber security breaches against the Franchised Business with a minimum coverage of TWO MILLION DOLLARS (\$2,000,000.00); and

(f) such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3 of the Franchise Agreement.

We have the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances. Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. As may be required in the Manual, we have the right to require Franchisee’s participation in any group insurance established or approved by us for Franchisees that meets any of the requirements. You must provide, annually, or more frequently if requested, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days’ prior written notice to us and shall reflect proof of payment of premiums. Should you not procure and maintain the above insurance coverage, we have the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to you, which charges, together with a reasonable fee for expenses incurred by us in connection with such procurement, shall be payable by you immediately upon notice.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

Obligation	Section in the Franchise Agreement	Item in the Disclosure Document
a. Site selection and acquisition of lease	Sections 2.2, 2.3, 5.1, 5.2, and Exhibit A	Items 11 and 12
b. Pre-opening Purchases/leases	Sections 5, 13 and 15	Items 5, 7 and 8
c. Site development and other pre-opening requirements	Sections 5.4 and 8	Items 7, 8 and 11
d. Initial and ongoing training	Section 8	Items 6, 7 and 11
e. Opening	Sections 5, 8, and 11	Item 11
f. Fees	Section 3	Items 5, 6 and 7
g. Compliance with standards & policies/Operating Manual.	Sections 5, 6, 9, 10, and 13	Items 8 and 16
h. Trademarks and Proprietary information	Sections 6, 7, and 9	Items 13 and 14
i. Restrictions on sources of product and services	Sections 5, 6, 9 and 13	Items 8 and 16
j. Warranty and customer service requirements	Section 13	Item 16
k. Territorial development	None	Item 12
l. Ongoing product/service purchases	Section 13	Items 8 and 11

Obligation		Section in the Franchise Agreement	Item in the Disclosure Document
m.	Maintenance, appearance & remodeling requirements	Sections 5, 10 and 13.3	Item 6
n.	Insurance	Section 15	Items 6, 7 and 8
o.	Advertising	Section 11	Items 6 and 11
p.	Indemnification	Section 20.3 and 20.5	Item 6
q.	Owner's participation/ management/ staffing	Section 13	Item 15
r.	Records/reports	Section 12	Item 11
s.	Inspections/audits	Sections 6.6 and 12.6	Item 6, 11 and 13
t.	Transfer	Section 18	Item 17
u.	Renewal	Section 4.2	Item 17
v.	Post-termination obligations	Section 17	Item 17
w.	Non-competition	Sections 7.3, 7.4 and 17	Item 17
x.	Dispute resolution	Section 22	Item 17
y.	Liquidated damages	Section 17.7	Item 6

ITEM 10

FINANCING

We do not offer direct or indirect financing, nor do we guaranty your notes, leases or other obligations.

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

A. Before the Franchised Business Opens

Before you open your Franchised Business, we or a Regional Developer (if one exists for your area) will

1. designate your Protected Territory, as further described in ITEM 12. (Section 2.52.)
2. if we have not already approved a site that you have selected before signing the Franchise Agreement, provide you with our criteria for site selection and approve the site you have selected for the location of the Franchised Business. (Sections 2.5 and 5.1)

We make no representations that your Franchised Business will be profitable or successful by being located at the approved location. Any approval is intended only to indicate that the proposed site meets our minimum criteria based upon our general business experience.

3. review and approve your lease or purchase agreement for the site for the Approved Location.

(Sections 5.1 and 5.2). Our review of your lease or purchase agreement and any advice or recommendations we may offer is not a representation or guarantee by us that we may offer is not a representation or guarantee by us that you will succeed at the leased or purchased premises. We require that you have your own counsel review your lease prior to signing.

4. provide you with standard plans and specifications for the build-out of the Franchised Business along with a list of required supplies, equipment, and improvements which you must purchase and install. (Section 5.3)

5. provide you with an initial training program lasting approximately two weeks and provide you and your Therapists with an initial massage protocol-training. (Section 8.1)

6. provide to you on-site assistance and guidance for approximately five days to assist you with the opening of the Franchised Business. (Section 8.2)

7. grant you access to an electronic copy of the HAND AND STONE MASSAGE AND FACIAL SPA Manual. The Table of Contents of the Manual, along with number of pages devoted to each section, is included as Exhibit B to this Disclosure Document. The Operations Manual is a total of 266 pages. (Section 9.1)

8. Have us, Advertising Agency or our designee conduct or administer your Grand Opening Advertising campaign, at your cost. (Section 11)

B. Other Assistance During the Operation of The Franchised Business

After the opening of the Franchised Business, we or a Regional Developer (if there is one for your area) will.

1. periodically advise you and offer you general guidance by telephone, e-mail, newsletters and other methods. Our guidance is based on our industry experience and our Affiliate's experience in operating HAND AND STONE spas. The advice and guidance may consist of knowledge and experience relating to the authorized services or products, as well as operational methods, accounting procedures, and marketing and sales strategies. (Section 14.12)

2. at our discretion, periodically visit the Franchised Business to advise, assist and guide you in various aspects of the operation and management of the Franchised Business. We may prepare written reports outlining any suggested changes or improvements in the operations of the Franchised Business and detail any deficiencies that become evident as a result of any visit. If we prepare a report, you may request a copy from us. (Section 14.23)

3. make available to you operations assistance and ongoing training as we deem necessary. (Sections 8.2 and 8.5)

4. make available to you changes and additions to the System as generally made available to all franchisees. (Section 14.3)

5. periodically provide formats for advertising and promotional materials including ad-slicks, brochures, fliers and other materials for you to produce and use. (Section 14.4)

6. have us, Advertising Agency or our designee conduct or administer your Grand Opening Advertising campaign and approve the forms of advertising materials you will use for Local Advertising. (Section 11)

7. provide you with modifications to the Manual as they are made available to franchisees. (Section 9.2)

C. Advertising and Promotion

1. All advertising and promotion initiatives are conducted or administered by us, Advertising Agency or our designee. Each week, you must pay to us, Advertising Agency or our designee 4% of your Gross Sales (with a minimum payment of \$400.00 weekly) (the “Local Advertising Fee”), which is payable at the same time and in the same manner as the Royalty Fee, which we, Advertising Agency or our designee will use for conducting or administering advertising, promotions and public relations in the Designated Market Area (“DMA”) as determined by Nielsen Media Research in which your Franchised Business is located. Each quarter, upon written request, we, Advertising Agency or our designee will give you an accounting of the last quarter’s advertising activities from your local advertising payments. (Section 11.2). You must also prominently display franchise brochures that we provide, at our cost, in your location to solicit prospective franchisees. All decisions regarding the selection of the particular media and the advertising content, whether paid for through the Local Advertising Fee or paid for by you directly, shall be within the sole discretion of us, Advertising Agency or our designee, and subject to our approval.

2. We maintain a System-wide Marketing Fund, and you must contribute 1% of your Gross Sales to the Marketing Fund, which is payable at the same time and in the same manner as the Royalty Fee. (Section 11.3). We, Advertising Agency or our designee will administer the Marketing Fund as follows:

- a) We, Advertising Agency or our designee will control the creative concepts and the materials and media to be used, and we, Advertising Agency or our designee will determine the placement and allocation of advertisements. We, Advertising Agency or our designee may use print, television, radio, Internet or other media for advertisements and promotions. We, Advertising Agency or our designee do not guarantee that any particular franchisee will benefit directly or in proportion to their contribution from the placement of advertising by the Marketing Fund.
- b) We, Advertising Agency or our designee may use your contributions to meet any cost of, or reimburse itself for its cost of, researching, producing, maintaining, administering and directing consumer or recruiting advertising (including the cost of preparing and conducting television, radio, Internet, magazine, direct mail and newspaper advertising campaigns and other public relations and social media and reputation management activities; developing and/or hosting an Internet web page of similar activities; employing advertising agencies or its own personnel to assist; providing promotional brochures; conducting market research; and providing other marketing materials to franchisees). We, Advertising Agency or our designee reserve the right to use an outside ad agency or public relations firm. We have no franchisee advertising council. We will not use the Marketing Fund or Local Advertising Fees for any of our general operating expenses, except for our reasonable administrative costs and overhead, including the proportionate compensation of our and our Affiliates’ employees who devote time and render services in the formulation, development and production of such marketing and promotion programs or the administration of the Marketing Fund. We, Advertising Agency or our designee will not use Marketing Fund Contributions for the direct solicitation of franchise sales but reserves the right to include a notation in any advertisement indicating “Franchises Available.” In the fiscal year ended December 31, 2024, the National Fund contributions were expended as follows: Media Placement 65.5%; Production 13.5%; Internet and

Communications 9.3%; Recruiting 3.4%; Experience 3.2%; Marketing Analytics 2.9%; Administrative Expenses 1.6%; Research 0.6%.

- c) We, Advertising Agency or our designee expect to use all contributions in the fiscal year they are made. It will use any interest or other earnings of the Marketing Fund before using current contributions. We intend for the Marketing Fund to be perpetual, but we, Advertising Agency or our designee have the right to terminate it if necessary. The Marketing Fund will not be terminated until all contributions and earnings have been used for advertising and promotional purposes or have been returned to our franchisees on a *pro rata* basis.
- d) All HAND AND STONE spas owned by our Affiliates or us will make similar contributions to the Marketing Fund as required of franchisees.
- e) An accounting of the Marketing Fund, upon request, will be prepared annually and provided to you. The annual accounting may be audited by an independent certified public accountant at the expense of the Marketing Fund.
- f) The Marketing Fund is not a trust and neither we nor Advertising Agency or our designee assume any fiduciary duty in administering the Marketing Fund.
- g) We, Advertising Agency or our designee may from time to time, in its sole discretion, contract for advertising at your Franchised Business in excess of the Local Advertising Fees that have been charged under your Franchise Agreement as of a given date. Should your Franchise Agreement terminate for any reason as of a date when you have an excess commitment of advertising monies, you shall be liable to us for the full amount of the over expenditure.
- h) There are currently no local or regional cooperatives in existence, and you are not required to join or participate in any local or regional cooperatives.
- i) We, Advertising Agency or our designee, at any time, upon written notice to you, and effective on January 1 of the calendar year following each written notice, may increase the required Marketing Fund Contribution up to 1% of Gross Sales, for a total Marketing Fund Contribution up to 2% of Gross Sales.

3. You must pay \$15,000 to Advertising Agency for Grand Opening Advertising to promote the opening of your Franchised Business. We, Advertising Agency or our designee will conduct or administer the Grand Opening Advertising Campaign on your behalf, including print or news media or direct mail advertising, or other solicitation and promotional efforts. (Section 11.1). In addition, you are currently required to provide approximately \$2,500 in complimentary services during the Grand Opening event.

4. All telephone numbers you use in your Franchised Business will be owned by us. We will be listed as the owner of the numbers, and you will be listed as the billing party. You must sign any documents we require acknowledging our ownership of the telephone numbers, and upon expiration or termination of your Franchise Agreement, the telephone numbers will remain our property.

D. Computer/Point-of- Sale (POS) System

Computer/Point-of- Sale (POS) System

You shall purchase, install and use computers, mobile devices, internet accessibility equipment, network componentry, a franchise relationship management system and a point-of-sale system consisting

of hardware and software in accordance with our specifications and shall upgrade such systems in accordance with our requirements in order to use the System (hereinafter “Hand and Stone Technology”).

The point-of-sale computer hardware and software programs and point of sale equipment that you must purchase costs approximately \$7,726 - \$18,783 (Section 12.5)

Our current minimum hardware purchase requirement includes:

- 4 desktop workstations (Station 1, Station 2, Breakroom, Office), each with the following minimum requirements. Additionally, all workstations should have at minimum, a 22 in. LCD Flat Panel Monitor.
- 4 iPads with 10.2” display, 32GB memory and that is supported by Apple
- 2 Non intelligent cash drawers
- 2 Barcode Scanners
- 2 TSP 100 Thermal Receipt Printers
- At minimum, 2 approved credit card devices compatible with point of sale

It is strongly recommended that all hardware be purchased by our preferred hardware vendor. As of 2025, this is Tie National. Your software purchase requirement includes 1 Microsoft Office License for the Office computer and CrowdStrike (endpoint management) for the workstations. You must also sign up for an account with Zenoti Payments for credit card and membership billing. Credit card readers are purchased directly through our payment processor.

The above specifications are subject to change without prior notice. You must take all reasonable steps, including but not limited to those related to visibility and management of your Franchised Business, that are necessary to ensure that your Franchised Business is compliant with all Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org). Utilizing all reasonable means, franchisees should use Hand and Stone Technology approved vendors for network security.

You must pay us an initial fee of \$2,500 for connection to the Hand and Stone Technology (hereinafter “Connectivity Fee”). The Connectivity Fee shall be paid at the time of the Initial Franchise Fee. We shall establish accounts and connectivity for you to the handandstone.com website, on-site connectivity of computer equipment to the System, connectivity to Hand and Stone online training programs, and connectivity to Hand and Stone consumer feedback platforms.

You must execute the sublicense agreement attached to the Franchise Agreement as Exhibit “J”, and purchase a subscription for the Zenoti POS and related software and support from us. As of January 1, 2025, the estimated cost of the Zenoti subscription and support services is approximately \$691 per month. This will include up to 4 handandstone.com email addresses that follow standard naming conventions. An additional \$35 per month for cyber insurance will include CrowdStrike (endpoint management) for all computers in spa. These charges are subject to change. We will provide the support in conjunction with Zenoti.

You must update or upgrade the computer hardware and applications to ensure compatibility and support with the vendor’s supported operating systems and applications. Costs will vary but should not exceed \$2,000. You must use any hardware or software that we designate or develop. We have the right to independently access all information you collect or compile at any time without first notifying you. Our direct access to your computer systems or data is unlimited. (Section 12.5)

In addition to the fees set forth above, we reserve the right to require that you pay us or our designated (s) a fee (which may be collected monthly, quarterly, or annually) associated with maintaining any required computer hardware and software and any other present or future technology used now or in the future in the operation of Franchised Business, and such payment shall be made in the manner we or the designated vendor(s) prescribed, as applicable. (Section 12.5) We reserve the right to change the manner, scope, or manner of payment of the fee described in this Section, at any time upon providing reasonable notice to you, as changes are made to the System's hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency.

E. Methods Used to Select the Location of the Franchised Business

If you have a potential site for the Franchised Business, you may propose the location for our consideration. Within 30 days, we may consent to the site after we have evaluated it. If you do not have a proposed site when you sign the Franchise Agreement, then you must find one within the Designated Area. The Designated Area is delineated for the sole purpose of site selection. You must obtain our written approval of the Franchised Business's proposed site before you sign any lease, sublease or other document for the site. We will use reasonable efforts to help analyze your market area, to help determine site feasibility, and to assist in designating the location, although we will not conduct site selection activities for you. You must locate an approved site for the Franchised Business within the Designated Area within 180 days after the Effective Date of the Franchise Agreement (the "Site Selection Period"). If you fail to secure an acceptable site for the Franchised Business before the expiration of the Site Selection Period, we may terminate your Franchise Agreement. (Sections 2.3 and 5.1)

The general site selection and evaluation criteria which we consider in approving your site includes the condition of the premises, demographics and population density of the surrounding area, proximity to other HAND AND STONE spas and other competitive businesses, traffic patterns, neighborhood characteristics, lease requirements, visibility, ease of access, available parking and other physical characteristics. We will provide you with written notice of our approval or disapproval of any proposed site within a reasonable time after receiving all requested information. You may not relocate the Franchised Business without our consent.

F. Typical Length of Time Before Operation

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of a HAND AND STONE franchise is twelve months. You must open your Franchised Business and be operational not later than twelve months after signing the Franchise Agreement. In the event you fail to do so, we may terminate your Franchise Agreement. Factors that may affect your beginning operations include ability to secure permits, zoning and local ordinances, weather conditions and delays in installation of equipment and fixtures. (Section 5.4). While reserving our right to terminate, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, your rights to establish the Franchised Business at the Approved Location, as well as your rights and interests in your Protected Territory, as outlined on Exhibit A of the Franchise Agreement, shall automatically expire and be null and void without any further notice to you. Thereafter, we may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within your Protected Territory. You will then need to come to an agreement with us as to where to locate your Franchised Business.

G. Training

We will conduct an initial training program that you and the Designated Manager must attend and complete to our satisfaction prior to opening. Although initial training is mandatory for the Designated

Manager, it is also available for up to three additional assistants. Training will take place at our headquarters, or at another location we designate. We reserve the right to substitute any in-person training for virtual training at our discretion.

The initial training program is approximately two weeks long and covers the business and administrative aspects of the operation of a HAND AND STONE franchise including sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques, record keeping and reporting procedures, other operational issues and on-the-job training.

For new locations, we will also make an initial massage protocol training program available to you and your therapists, including your Lead Therapist. The Lead Therapist must complete to our satisfaction. The initial massage protocol training program is approximately two days long and includes classroom instruction pertaining to all massage protocols and training techniques.

If you replace your Designated Manager or Lead Therapist, your new Designated Manager or Lead Therapist must attend our training program. Although we do not charge for initial training, you may be charged fees, currently \$500 per day, for additional training of a new Designated Manager or Lead Therapist. You must train your own employees and other management personnel. (Section 8)

The instructional materials we use in our initial training program include our Operations Manual, Supplemental Materials, and other information that we believe is beneficial to our franchisees in the initial training program. Our initial training program consists of:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
In Spa Customer Service and Software Training	-	15	In an operating spa or Trevose, Pennsylvania
Welcome/Business Philosophy	2	-	Trevose, Pennsylvania
Pre-Opening	2.5	-	Trevose, Pennsylvania
Administrative/ Human Resources	3	-	Trevose, Pennsylvania
Hiring and Staffing	2	-	Trevose, Pennsylvania
Management	2	-	Trevose, Pennsylvania
Daily Operations	3	-	Trevose, Pennsylvania
Software	4.5	-	Trevose, Pennsylvania
Front Desk Introduction and Customer Service	2	-	Trevose, Pennsylvania
Membership Program	3	-	Trevose, Pennsylvania
Sales	3	-	Trevose, Pennsylvania
Marketing	2	-	Trevose, Pennsylvania
Massage Therapist Interview Process	2	-	Trevose, Pennsylvania
Equipment and Supplies	2	-	Trevose, Pennsylvania
System Protocols	20	-	Trevose, Pennsylvania

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
On-Site Massage Therapist Training	-	15	Your Location
On-Site Sales Training	-	15	Your Location
On-Site Operational Training	-	40	Your Location
Risk Management and Inappropriate Behavior	2	-	Trevose, Pennsylvania
Facial Program in and Out of the Treatment Room	2	-	Trevose, Pennsylvania
TOTALS	57	85	

Our training is led by John Teza, our CEO and President, and Cindy Meiskin, our Chief Experience Officer. John has 27 years of experience in the industry, and 4 years of experience with us. Cindy has 23 years of relevant experience in the industry, and 12 years of experience with us.

If circumstances require, a substitute trainer may provide training. A substitute trainer will have a minimum of one-year experience in the massage industry. We also reserve the right to name additional trainers periodically. There are no limits on our right to assign a substitute to provide training.

Periodically we may require that previously trained and experienced franchisees, their managers, and/or employees attend refresher-training programs. Attendance at these programs will be at your sole expense; however, we will not require you to attend more than two of these programs in any calendar year and these programs will not collectively exceed seven days during any calendar year. (Section 8.5)

ITEM 12 **TERRITORY**

You must operate your Franchise at a location that we approve (the “Approved Location”) and you may not relocate without our written approval. We may allow you to relocate if the lease for the Approved Location expires or terminates without the fault of you, or if the Franchised Business’s premises are destroyed, condemned or otherwise rendered unusable, or for other reasons as we may agree upon with you in writing. Any such relocation shall be at your sole expense, and shall proceed in accordance with the site selection, lease, development and opening requirements as set forth in Sections 5.1 through 5.4 of the Franchise Agreement. We have no obligation to provide relocation assistance.

We will grant you a Protected Territory. Your Protected Territory will surround your Franchised Business and be an eight-minute drive time around your specific location. However, in highly dense areas such as “downtown” areas and cities, the Protected Territory will be less than an eight-minute drive time.

We may also redefine or reduce the boundaries of your Protected Territory based on the following changes, which may include but not be limited to; demographics, population, demand for services, travel times and economic conditions. (Section 2.5). We have the right to offer HAND AND STONE franchises to others in the newly defined Protected Territory that does not encompass your Approved Location, provided, however you will be granted a first right of refusal to establish an additional franchise in the newly defined Protected Territory. You must be in full compliance and meet all requirements for new

franchisees, including financial resources and human resources to manage an additional HAND AND STONE franchise. You will have 30 days after receiving notice of our intent to divide the newly defined Protected Territory and you must execute a new franchise agreement and pay the corresponding franchise fee within sixty (60) days thereafter.

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

If you are in full compliance with the Franchise Agreement during its term, we will not establish, or license others to establish, a HAND AND STONE MASSAGE AND FACIAL SPA franchise within the Protected Territory.

You may not advertise on the Internet without our prior written consent. You are strictly prohibited from promoting your Franchised Business or using the Proprietary Marks without our prior written approval in any manner on the Internet, including social and networking websites such as Facebook, LinkedIn, Instagram, Pinterest, X, Groupon, TikTok, and/or YouTube.

You may sell our proprietary products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to shop in your Franchise. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system (collectively, the “Electronic Media”); through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Protected Territory, without our permission. You have no options, rights of first refusal, or similar rights to acquire additional franchises. You may not sell our proprietary products to any business or other customer for resale.

We and our affiliates may sell products under the Proprietary Marks within and outside your Protected Territory through any method of distribution other than a dedicated HAND AND STONE franchise, including sales through the channels of distribution as the Internet, catalog sales, telemarketing or other direct marketing sales (together, “alternative distribution channels”). You may not use alternative distribution channels to make sales outside or inside your Protected Territory except as described in the following paragraph and you will not receive any compensation for our sales through alternative distribution channels except as described in the following paragraph.

If we engage in electronic commerce through any Internet, World Wide Web or other computer network site or sell through any other alternative distribution channel, and we receive orders for any proprietary products or other products (but not services) offered by a HAND AND STONE franchise calling for delivery in your Protected Territory, then we will offer the order to you at the price we establish. If you choose not to fulfill the order or are unable to do so, then we, one of our affiliates or a third party we designate (including another franchisee) may fulfill the order, and you will not be entitled to any compensation in connection with this.

We have not yet established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

Except for the Spas operated by our affiliate, neither we nor any parent or affiliate has established, or presently intends to establish, other franchised or company-owned Stores which sell our proprietary products or services under a different trade name or trademark, but we reserve the right to do so in the future, without first obtaining your consent.

While reserving our right to terminate the Franchise Agreement, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, your rights to establish the Franchised Business at the Approved Location, as well as your rights and interests in your Protected Territory, as outlined on Exhibit A of the Franchise Agreement, shall automatically expire and be null and void without any further notice to you. Thereafter, we may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within your Protected Territory. You will then need to come to an agreement with us as to where to locate your Franchised Business.

Except as stated above, there are no minimum sales, market penetration or other contingency that you must meet to maintain your rights to the Protected Territory.

Rights We Retain: Nevertheless, we retain the right, on behalf of ourselves or through affiliates, in our discretion, and without granting any rights to you, to:




- (a) establish, own or operate, by ourselves or through affiliates, and license others to establish, own or operate, HAND AND STONE franchises outside of the Protected Territory;
- (b) establish, own or operate, and license others to establish, own or operate, other businesses under other systems using other trademarks whether located or operating inside or outside of the Protected Territory;
- (c) provide the services and sell any products authorized for HAND AND STONE franchises, whether now existing or developed in the future, using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies and Internet and catalog sales; provided, however, that no such services or products shall be sold by us or our Affiliates to any Competitive Business within the Protected Territory. You acknowledge that this Agreement grants you no rights: (i) to distribute such products or services as described in this Section; or (ii) to share in any of the proceeds received by any such party therefrom;
- (d) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises in captive locations, including those locations within or outside of the Protected Territory, including college campuses, airports, or train stations;
- (e) engage in any activities not expressly forbidden by the Franchise Agreement; and
- (f) communicate directly with any of your customers for the purpose of monitoring your performance and compliance with the terms of the Franchise Agreement.

ITEM 13 **TRADEMARKS**

We grant our franchisees the right to operate HAND AND STONE franchises under the names “HAND AND STONE MASSAGE SPA” and “HAND AND STONE MASSAGE AND FACIAL SPA” which is the principal Mark used to identify our System of operation. You may also use any other current or future Mark to operate your Franchised Business that we designate in writing, including the logo on the

front of this Disclosure Document and the trademarks listed below. By “Marks” we mean the trade names, trademarks, service marks and logos used to identify HAND AND STONE MASSAGE AND FACIAL SPAS.

As of the date of this Disclosure Document, we have registrations on the Principal Register and Supplemental Register of the U.S. Patent and Trademark Office (“PTO”) for the following Marks:

MARK	REGISTRATION NUMBER	REGISTRATION DATE	REGISTER
HAND AND STONE ® (standard character mark)	3,101,296	June 6, 2006	Principal
HAND AND STONE MASSAGE SPA ® (standard character mark)	3,137,338	August 29, 2006	Supplemental
Hand and Stone Massage and Facial Spa®	3,684,708	September 15, 2009	Supplemental
Hand and Stone Massage and Facial Spa®	4,880,654	January 5, 2016	Principal
	4,907,601	March 1, 2016	Principal
	5,354,270	December 12, 2017	Principal
	5,354,264	December 12, 2017	Principal

There are currently no effective material determinations of the PTO, trademark trial and appeal board, the trademark administrator of this state or any court; pending infringement, opposition, or cancellation; or pending material litigation involving the Marks. All applicable Section 8 & 15 Affidavits have been filed with the United States Patent and Trademark Office for the Trademarks and we will continue to do so at the proper time for the balance of the Trademarks.

To our knowledge, there are no infringing or prior superior uses actually known to us that could materially affect the use of the Marks in this state or any other state in which a HAND AND STONE franchise may be located.

There are no agreements currently in effect, which significantly limit our rights to use or license the use of the Marks in any manner material to the franchise.

You will not receive any rights to the Marks other than the nonexclusive right to use them in the operation of your Franchised Business. You may only use the Marks in accordance with our standards, operating procedures and specifications. Any unauthorized use of the Marks by you is a breach of the Franchise Agreement and an infringement of our rights in the Marks. You may not contest the validity or ownership of the Marks, including any Marks that we license to you after you sign the Franchise Agreement. You may not assist any other person in contesting the validity or ownership of the Marks.

You must immediately notify us of any apparent infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you may not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We may take whatever action we deem appropriate in these situations; we have exclusive control over any settlement or proceeding concerning any Mark. You must take any actions that, in the opinion of our counsel, may be advisable to protect and maintain our interests in any proceeding or to otherwise protect and maintain our interests in the Marks.

We can require you to modify or discontinue the use of any Mark and to use other trademarks or service marks. We will not be required to reimburse you for modifying or discontinuing the use of a Mark or for substituting another trademark or service mark for a discontinued Mark. We are not obligated to reimburse you for any loss of goodwill associated with a modified or discontinued Mark.

We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any the proceeding. Our reimbursement does not include your expenses for removing signage or discontinuing your use of any Mark. Our reimbursement also does not apply to any disputes where we challenge your use of a Mark. Our reimbursement does not apply to legal fees you incur in seeking separate, independent legal counsel.

You must use the Marks as the sole trade identification of the Franchised Business, but you may not use any Mark or part of any Mark as part of your corporate name in any modified form. You may not use any Mark in connection with the sale of any unauthorized products or services, or in any other manner that we do not authorize in writing. You must obtain a fictitious or assumed name registration if required by your state or local law.

You must notify us if you apply for your own trademark or service mark registrations. You must not register or seek to register as a trademark or service mark, either with the PTO or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any of our Marks.

You may not establish, create or operate an Internet site, website, or email using any domain name containing the words HAND AND STONE or any variation thereof without our prior written consent. You may not use the Marks as part of any advertisement on the Internet without our permission.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the franchise. We own copyrights in the Manual, marketing materials and other copyrightable items that are part of the System. While we claim copyrights in these and similar items, we have not registered these copyrights with the United States Registrar of Copyrights and need not do so to protect them. You may use these items only as we specify while operating the Franchised Business and you must stop using them if we direct you to do so.

To our knowledge, there are currently no effective determinations of the U.S. Copyright Office or any court regarding the copyrighted materials. Our right to use or license copyrighted items is not materially limited by any agreement or known infringing use.

We have developed certain Trade Secrets and other Confidential Information, including certain trade secrets, methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating a HAND AND STONE franchise. We will provide our Trade Secrets and other Confidential Information to you during training, in the Manual and as a result of the assistance we furnish you during the term of the franchise. You may only use the Trade Secrets and other Confidential Information for the purpose of operating your Franchised Business. You may only divulge Trade Secrets and other Confidential Information to employees who must have access to it to operate the Franchised Business. You must enforce the confidentiality provisions as to your employees.

We have the right to require you (and any member of your immediate family or household), any holder of a legal or beneficial interest in you (if you are a legal entity), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to sign nondisclosure and non-competition agreements in a form the same as or like the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed our sole and exclusive property and a part of the System that we may choose to adopt and/or disclose to other franchisees. Likewise, we will disclose to you concepts and developments of other franchisees that we make part of the System. You must also assist us in obtaining intellectual property rights in any concept or development if requested.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

The day-to-day affairs of the Franchised Business must always be under the direct full-time supervision of Franchisee or a Designated Manager. Your Designated Manager must attend and satisfactorily complete our initial training programs before opening the Franchised Business. You must keep us informed of the identity of your current Designated Manager.

As described in ITEM 14, we have the right to require you (and any member of your immediate family or household), any holder of a legal or beneficial interest in you (if you are a legal entity), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to sign nondisclosure and non-competition agreements in a form the same as or like the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement. We will be a third-party beneficiary with the independent right to enforce the agreements.

You will have sole authority and control over the day-to-day operations of the Franchised Business and your employees and/or independent contractors. (Section 13.14). You are solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will you or your employees be deemed to be our or our affiliates' employees.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer the massage, facial and spa services, retail products and membership and gift card programs we specify periodically, in strict accordance with our standards and specifications. You may not sell any services or products that we have not authorized, and you must discontinue offering any services, products or programs that we may, in our sole discretion, disapprove in writing at any time.

We may periodically change required or authorized services, products, or programs. There are no limits on our right to do so. If we modify the System, you may have to add or replace equipment, signs, and fixtures, and you may have to make improvements or modifications as necessary to maintain uniformity with our current standards and specifications.

On a case-by-case basis, we may allow you or other HAND AND STONE franchisees to offer certain additional services, products or programs that are not otherwise part of the System. We will decide which franchisees can offer additional services based on test marketing, the franchisee's qualifications and operational history, differences in regional or local markets and other factors.

ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP

Provision	Section in the Franchise Agreement	Summary
a. Length of the franchise term	Section 4.1	The initial term is 10 years.
b. Renewal or extension of the term	Section 4.2	You may renew for one additional term of 10 years, subject to (c) below.
c. Requirements for you to renew or extend	Section 4.1	You may renew the Franchise Agreement if you: have substantially complied with the provisions of the Franchise Agreement; have the right to maintain possession of the Approved Location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us, have paid a renewal fee of \$5,000; are not currently in default of any provision of the Franchise Agreement or any other agreement between you and us and have not been in default more than twice

Provision	Section in the Franchise Agreement	Summary
		during the term of the Franchise Agreement; have given timely written notice of your intent to renew; sign a then current Franchise Agreement; comply with current qualifications and training requirements; and sign a general release in favor of us and our affiliates in the form we prescribe. You may be asked to sign a contract with materially different terms and conditions than your original contract, but the boundaries of your territory will remain the same.
d. Termination by you	None	You do not have the contractual right to terminate the Franchise Agreement except as otherwise permitted by state law.
e. Termination by us without cause	None	N/A
f. Termination by us with cause	Section 16	We may terminate the Franchise Agreement only if you default.
g. "Cause" defined - curable defaults	Section 16	You can avoid termination of the Franchise Agreement if you cure a default arising from your failure to comply with mandatory specifications in the Franchise Agreement or Operations Manual within 30 days of receiving our notice of termination or you cure a default arising from your failure to make payments due us within 5 days of receiving our notice of termination.
h. "Cause" defined - non curable defaults	Section 16	We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to establish and equip the Franchised Business; fail to satisfactorily complete training; made a material misrepresentation or omission in the application for the franchise; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the Franchised Business; use the manual, Trade Secrets or Confidential Information in an unauthorized manner;

Provision	Section in the Franchise Agreement	Summary
		<p>abandon the Franchised Business for five consecutive days; surrender or transfer of control for Franchised Business in an unauthorized manner; fail to maintain the Franchised Business under the supervision of a Designated Manager if you die or become disabled; submit report on two or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use for the Marks; fail on two or more occasions within any 12 months to submit reports or records or to pay any fees due us or any Affiliate; violate any health, safety or other laws or conducts the Franchised Business in a manner creating a health or safety hazard; fail to comply with any applicable law or regulation within 10 days of receiving notice of that failure; repeatedly breach the Franchise Agreement or fail comply with our mandatory specification; default under any other agreement between us and you.</p>
<p>i. Your obligations on termination/non-renewal</p>	<p>Section 17</p>	<p>If the Franchise Agreement is terminated or not renewed, you must: stop operating the Franchised Business; stop using any Trade Secrets, Confidential Information, the System and the Marks; if requested, assign your interest in the Approved Location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the termination provisions of the Franchise Agreement; return the Manual, Trade Secrets and all other Confidential Information; assign your telephone and facsimile numbers to us (if required by the telephone service provider); comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement; and pay liquidated damages.</p>

Provision	Section in the Franchise Agreement	Summary
j. Assignment of contract by us	Section 18.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. “Transfer” by you definition	Section 18.2	“Transfer” includes transfer of ownership in the franchise, the Franchise Agreement, the Approved Location, the Franchised Business’ assets or the franchisee entity.
l. Our approval of transfer by you	Section 18.2	You may not transfer your interest in any of the items listed in (k) above without our prior written consent.
m. Conditions for our approval of transfer	Section 18.2	We will consent to a transfer if: the proposed transfer is a least one year after the effective date of the Franchise Agreement; we have not exercised our right of first refusal; all obligation owed to us are paid; you and the transferee have signed a general release in favor of us and our affiliates in the form we prescribe; the prospective transferee meets our business and financial standards; the transferee and all persons owing any interest in the transferee sign then-current Franchise Agreement (which may have different material terms) as we determine; you provide us with a copy of all contracts and agreements related to the transfer; you or the transferee pay a transfer fee equal to 50% of the then current initial franchise fee; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; the transferee has obtained all necessary consents and approvals of third parties; you must request that we provide the prospective transferee with our current form of disclosure document and we shall not be liable for any representations not included in the disclosure document; you or all of your equity owners have signed the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement; and the transferee has

Provision	Section in the Franchise Agreement	Summary
		agreed that its Designated Manager will complete the initial training program before assuming management of the Franchised Business.
n. Our right of first refusal to acquire your Franchised Business	Section 19	We may match an offer for your Franchised Business or an ownership interest you propose to sell, or assign such right to an Affiliate or third party.
o. Our option to purchase your Franchised Business	Section 17.5	Except as described in (n) above, we do not have the rights to purchase your Franchised Business; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of the Franchised Business for book value.
p. Your death or disability	Section 18.6	If you (or one of your owners) die or become incapacitated, your representative must transfer, subject to the terms of the Franchise Agreement, your interest in the Franchised Business within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Non-competition covenants during the term of the franchise	Section 7.3	You, your owners (and members of their families and household) and your officers, directors, executives, or designated managers are prohibited from: attempting to divert any business or customer of the Franchised Business to a Competitive Business or causing injury or prejudice to the Marks or the System; owning or working for a Competitive Business (subject to applicable state law).
r. Non-competition covenants after the franchise is terminate or expires	Section 17.2	For 2 years after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, or designated managers are prohibited from owning or working for a Competitive Business operation within a 10 mile radius of the Approved Location or

Provision	Section in the Franchise Agreement	Summary
		within the Protected Territory, if greater, or any other HAND AND STONE franchise; or soliciting or influencing any of our employees or business associates to compete with us or terminate their relationship with us (subject to applicable state law).
s. Modification of the agreement	Section 9.2 and 21.5	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	Section 21.5	Only the terms of the franchise agreement 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	Section 22.6, 22.7	Except for claims for injunctive relief, at our option, all claims or disputes between you and us must be submitted first to mediation in Philadelphia, Pennsylvania in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect and If mediation fails, to binding arbitration in Philadelphia, Pennsylvania (subject to state law).
v. Choice of forum	Section 22.6	Except for claims for injunctive relief, all disputes must be mediated or submitted to arbitration in Philadelphia, Pennsylvania (subject to state law).
w. Choice of law	Section 22.1	Pennsylvania law applies (subject to applicable state law).

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

ITEM 18

PUBLIC FIGURES

We do not presently use any public figures to promote our franchise.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

This Item presents certain historical data as provided by our franchisees and our subsidiary owned outlets. We have not audited this information, nor independently verified this information. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request. The information contained in this Item is for the period January 1, 2024 through December 31, 2024 (the “2024 Calendar Year”).

As of December 31, 2024, we had 580 franchised outlets open in the United States and 15 subsidiary-owned outlets open in the United States (the “Corporate Spas”). We, through our subsidiaries, acquired 10 of the 15 Corporate Spas in the 2021 Calendar Year. One of the Corporate Spas is located in New Jersey and the remaining 14 are located in Florida. The Corporate Spas are substantially similar to the franchise outlets being offered under this Franchise Disclosure Document.

The financial performance information presented in this Item 19 does not include information for the 57 franchised outlets that were not open and operating for a full twelve months as of December 31, 2024, comprised of 55 franchised outlets that opened and 2 franchised outlets that closed during the 2024 Calendar Year. The financial performance information presented in this Item 19 includes performance information for the remaining 502 franchised outlets that were open for at least 12 months as of December 31, 2024 (the “Franchised Outlets”), the 23 franchised outlets that converted their existing spas into HAND AND STONE SPAS in 2023, (the “2023 Converted Spas”) and the Corporate Spas. One franchised outlet is excluded from the 2023 Converted Spas because it was not open and operating for a full 12 months as of December 31, 2024.

Table #1a presents the 2024 Calendar Year Average Gross Sales for the Corporate Spas, as a total, and by year of opening. Table #1b presents the 2024 Calendar Year Average Gross Sales for the Franchised Outlets, as a total, and by year of opening, with the Average Gross Sales for the 2023 Converted Spas identified separately. Table #1c presents the combined 2024 Calendar Year Average Gross Sales for the Corporate Spas and the Franchised Outlets, as a total, and grouped by year of opening, for a total of 517 locations, with the 2023 Converted Spas excluded from that total, and represented in a separate row.

Table #2a presents the 2024 Calendar Year Average Massage Sales Information for the Corporate Spas, as a total, and by year of opening. Table #2b presents the 2024 Calendar Year Average Massage Sales Information for the Franchised Outlets, as a total, and by year of opening, with the 2023 Converted Spas in a separate row. Table #2c presents the combined 2024 Calendar Year Average Massage Sales Information for the Corporate Spas and the Franchised Outlets, as a total, and by year of opening, for a total of 517 locations, with the 2023 Converted Spas excluded from that total, and represented in a separate row.

Table #3a presents the 2024 Calendar Year Average Facial Sales Information for the Corporate Spas, as a total, and by year of opening. Table #3b presents the 2024 Calendar Year Average Facial Sales Information for the Franchised Outlets, as a total, and by year of opening, with the 2023 Converted Spas in

a separate row. Table #3c presents the combined 2024 Calendar Year Average Facial Sales Information for the Corporate Spas and the Franchised Outlets, as a total, and by year of opening for a total of 517 locations, with the 2023 Converted Spas excluded from that total, and represented in a separate row.

Table #4a presents the presents the 2024 Calendar Year Average Gift Card Sales Information for the Corporate Spas, as a total, and by year of opening. Table #4b presents the 2024 Calendar Year Average Gift Card Sales Information for the Franchised Outlets, as a total, and by year of opening, with the 2023 Converted Spas in a separate row. Table #4c presents the combined 2024 Calendar Year Average Gift Card Sales Information for the Corporate Spas and the Franchised Outlets, as a total, and by year of opening for a total of 517 locations, with the 2023 Converted Spas excluded from that total, and represented in a separate row.

Table #5a presents the presents the 2024 Calendar Year Average Retail Sales Information for the Corporate Spas, as a total, and by year of opening. Table #5b presents the 2024 Calendar Year Average Retail Sales Information for the Franchised Outlets, as a total, and by year of opening, with the 2023 Converted Spas in a separate row. Table #5c presents the combined 2024 Calendar Year Average Retail Sales Information for the Corporate Spas and the Franchised Outlets, as a total, and by year of opening, for a total of 517 locations, with the 2023 Converted Spas excluded from that total, and represented in a separate row.

Table #6 presents Average Size, First Year Gross Rent and Landlord Improvement Allowance for 25 United States franchised outlets that first opened for business in the 2024 Calendar Year.

Table #7a presents certain Corporate Spa Average Revenue and Expenses for the 15 Corporate Spas for the 2024 Calendar Year. Table #7b presents Average Revenue and Expenses for 188 of the 502 Franchised Outlets for the 2024 Calendar Year. 314 of the 502 Franchised Outlets were excluded from the results presented in Table #7b because they did not report their expenses to us.

The remainder of this page is intentionally left blank.

Table #1a
Average Gross Sales for Corporate Spas by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas	2024 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gross Sales	2024 Min Gross Sales	2024 Max Gross Sales	2024 Median Members	2024 Average Members	Number Above/Below Average	% Above/Below Average	2024 Max Members	2024 Min Members
2019	1	2,250,973	n/a	n/a	2,250,973	2,250,973	2,250,973	1,717	1,717	n/a	n/a	1,717	1,717
2018	1	1,806,984	n/a	n/a	1,806,984	1,806,984	1,806,984	1,434	1,434	n/a	n/a	1,434	1,434
2017	1	1,895,750	n/a	n/a	1,895,750	1,895,750	1,895,750	1,534	1,534	n/a	n/a	1,534	1,534
2016	1	1,770,536	n/a	n/a	1,770,536	1,770,536	1,770,536	1,500	1,500	n/a	n/a	1,500	1,500
2015	3	2,403,751	2/1	67/33	2,774,938	1,501,451	2,934,865	2,250	2,000	2/1	67/33	2,548	1,201
2014	2	2,067,652	1/1	50/50	2,067,652	1,780,969	2,354,336	1,720	1,720	1/1	50/50	1,910	1,529
2013	1	1,205,437	n/a	n/a	1,205,437	1,205,437	1,205,437	1,014	1,014	n/a	n/a	1,014	1,014
2011	2	3,275,480	1/1	50/50	3,275,480	3,272,604	3,278,355	2,915	2,915	1/1	50/50	2,972	2,858
2010	2	2,627,918	1/1	50/50	2,627,918	2,609,145	2,646,690	2,240	2,240	1/1	50/50	2,255	2,224
2009	1	2,246,665	n/a	n/a	2,246,665	2,246,665	2,246,665	1,945	1,945	n/a	n/a	1,945	1,945
Total*	15	2,288,647	11/4	73/27	2,250,973	1,205,437	3,278,355	1,910	1,926	11/4	73/27	2,972	1,014

Table #1b
Average Gross Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Franchised Outlets	2024 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gross Sales	2024 Min Gross Sales	2024 Max Gross Sales	2024 Median Members	2024 Average Members	Number Above/Below Average	% Above/Below Average	2024 Max Members	2024 Min Members
2023	20	687,470	9/11	45/55	627,701	284,858	1,617,394	377	479	9/11	45/55	1,055	178
2022	35	850,644	13/22	37/63	744,334	387,981	1,940,758	520	607	16/19	46/54	1,616	238
2021	22	827,028	9/13	41/59	823,871	358,245	1,330,822	581	622	10/12	45/55	1,170	224
2020	29	1,179,879	13/16	45/55	1,039,498	450,979	2,109,194	793	861	13/16	45/55	1,780	227
2019	44	1,183,586	21/23	48/52	1,118,034	316,505	2,220,943	845	901	19/25	43/57	2,057	254
2018	44	1,280,309	23/21	52/48	1,311,748	511,019	2,205,284	938	972	20/24	45/55	1,727	372
2017	39	1,474,281	15/24	38/62	1,325,074	641,019	3,221,836	1,030	1,167	15/24	38/62	2,851	443
2016	50	1,553,663	21/29	42/58	1,445,207	498,401	3,785,419	1,136	1,222	22/28	44/56	3,288	369
2015	50	1,443,261	20/30	40/60	1,348,125	461,380	2,831,130	961	1,115	20/30	40/60	2,802	352
2014	47	1,536,793	17/30	36/64	1,418,364	600,114	3,583,059	1,070	1,219	18/29	38/62	2,976	428
2013	41	1,514,542	17/24	41/59	1,416,731	626,324	3,257,082	1,123	1,193	18/23	44/56	2,720	449
2012	25	1,716,693	11/14	44/56	1,525,008	692,947	2,984,106	1,308	1,355	11/14	44/56	2,532	460
2011	21	1,705,226	11/10	52/48	1,714,763	977,840	2,498,909	1,380	1,341	11/10	52/48	2,066	746
2010	8	2,023,416	3/5	38/63	1,743,994	1,198,368	3,572,884	1,343	1,613	3/5	38/63	3,016	826
2009	7	2,181,341	2/5	29/71	1,860,625	1,492,262	3,672,257	1,520	1,676	3/4	43/57	2,706	1,181
2008	20	2,086,078	8/12	40/60	1,850,893	884,957	4,360,094	1,354	1,654	6/14	30/70	4,299	613
Total*	502	1,390,276	213/289	42/58	1,311,889	284,858	4,360,094	971	1,076	214/288	43/57	4,299	178
2023 Converted Spas	23	783,387	11/12	48/52	757,655	175,395	1,454,531	612	600	12/11	52/48	1,108	147

Table #1c
Average Gross Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas and Franchised Outlets	2024 Average Gross Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gross Sales	2024 Min Gross Sales	2024 Max Gross Sales	2024 Median Members	2024 Average Members	Number Above/Below Average	% Above/Below Average	2024 Max Members	2024 Min Members
2023	20	687,470	9/11	45/55	627,701	284,858	1,617,394	377	479	9/11	45/55	1,055	178
2022	35	850,644	13/22	37/63	744,334	387,981	1,940,758	520	607	16/19	46/54	1,616	238
2021	22	827,028	9/13	41/59	823,871	358,245	1,330,822	581	622	10/12	45/55	1,170	224
2020	29	1,179,879	13/16	45/55	1,039,498	450,979	2,109,194	793	861	13/16	45/55	1,780	227
2019	45	1,207,306	22/23	49/51	1,133,678	316,505	2,250,973	853	919	19/26	42/58	2,057	254
2018	45	1,292,013	24/21	53/47	1,314,442	511,019	2,205,284	941	982	20/25	44/56	1,727	372
2017	40	1,484,817	16/24	40/60	1,334,488	641,019	3,221,836	1,041	1,176	14/26	35/65	2,851	443
2016	51	1,557,915	22/29	43/57	1,448,075	498,401	3,785,419	1,139	1,227	23/28	45/55	3,288	369
2015	53	1,497,628	21/32	40/60	1,361,600	461,380	2,934,865	983	1,165	22/31	42/58	2,802	352
2014	49	1,558,461	19/30	39/61	1,443,890	600,114	3,583,059	1,097	1,239	20/29	41/59	2,976	428
2013	42	1,507,182	17/25	40/60	1,415,292	626,324	3,257,082	1,102	1,189	18/24	43/57	2,720	449
2012	25	1,716,693	11/14	44/56	1,525,008	692,947	2,984,106	1,308	1,355	11/14	44/56	2,532	460
2011	23	1,841,770	11/12	48/52	1,780,269	977,840	3,278,355	1,382	1,478	9/14	39/61	2,972	746
2010	10	2,144,317	4/6	40/60	1,916,493	1,198,368	3,572,884	1,544	1,738	4/6	40/60	3,016	826
2009	8	2,189,507	3/5	38/63	1,990,771	1,492,262	3,672,257	1,618	1,709	4/4	50/50	2,706	1,181
2008	20	2,086,078	8/12	40/60	1,850,893	884,957	4,360,094	1,354	1,654	6/14	30/70	4,299	613
Total*	517	1,416,341	222/295	43/57	1,330,761	284,858	4,360,094	987	1,101	218/299	42/58	4,299	178
2023 Converted Spas	23	783,387	11/12	48/52	757,655	175,395	1,454,531	612	600	12/11	52/48	1,108	147

Table #2a
Average Massage Sales for Corporate Spas by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas	2024 Average Massage Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Massage Service Sales	2024 Min Massage Service Sales	2024 Max Massage Service Sales
2019	1	1,324,964	n/a	n/a	1,324,964	1,324,964	1,324,964
2018	1	1,264,688	n/a	n/a	1,264,688	1,264,688	1,264,688
2017	1	1,031,561	n/a	n/a	1,031,561	1,031,561	1,031,561
2016	1	1,137,765	n/a	n/a	1,137,765	1,137,765	1,137,765
2015	3	1,249,166	2/1	67/33	1,323,793	835,014	1,588,690
2014	2	1,152,093	1/1	50/50	1,152,093	1,106,716	1,197,470
2013	1	713,495	n/a	n/a	713,495	713,495	713,495
2011	2	1,942,208	1/1	50/50	1,942,208	1,844,283	2,040,133
2010	2	1,286,132	1/1	50/50	1,286,132	1,210,611	1,361,653
2009	1	1,256,232	n/a	n/a	1,256,232	1,256,232	1,256,232
Total*	15	1,282,471	11/4	73/27	1,256,232	713,495	2,040,133

Table #2b
Average Massage Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Franchised Outlets	2024 Average Massage Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Massage Service Sales	2024 Min Massage Service Sales	2024 Max Massage Service Sales
2023	20	454,271	7/13	35/65	344,463	161,403	1,000,453
2022	35	590,206	11/24	31/69	525,265	282,057	1,711,962
2021	22	563,920	13/9	59/41	588,570	228,224	903,095
2020	29	734,542	14/15	48/52	646,102	234,997	1,334,894
2019	44	728,884	20/24	45/55	693,069	227,507	1,400,270
2018	44	799,703	20/24	45/55	744,192	262,437	1,417,405
2017	39	884,085	19/20	49/51	844,437	352,254	1,842,624
2016	50	916,494	24/26	48/52	878,228	193,160	2,006,898
2015	50	805,616	19/31	38/62	782,169	318,559	1,955,375
2014	47	873,506	21/26	45/55	840,072	256,440	2,301,650
2013	41	824,587	19/22	46/54	795,994	318,443	1,664,036
2012	25	992,931	11/14	44/56	937,988	391,276	1,937,983
2011	21	931,375	12/9	57/43	996,310	323,018	1,508,717
2010	8	1,088,598	2/6	25/75	939,303	703,648	1,816,453
2009	7	1,216,503	3/4	43/57	1,110,478	807,258	1,949,783
2008	20	1,128,357	7/13	35/65	1,005,010	445,070	2,101,187
Total*	502	817,390	222/280	44/56	779,299	161,403	2,301,650
2023 Converted Spas	23	567,963	11/12	48/52	543,562	80,351	1,142,179

Table #2c
Average Massage Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas & Franchised Outlets	2024 Average Massage Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Massage Service Sales	2024 Min Massage Service Sales	2024 Max Massage Service Sales
2023	20	454,271	7/13	35/65	344,463	161,403	1,000,453
2022	35	590,206	11/24	31/69	525,265	282,057	1,711,962
2021	22	563,920	13/9	59/41	588,570	228,224	903,095
2020	29	734,542	14/15	48/52	646,102	234,997	1,334,894
2019	45	742,130	21/24	47/53	707,789	227,507	1,400,270
2018	45	810,036	20/25	44/56	749,849	262,437	1,417,405
2017	40	887,772	20/20	50/50	873,387	352,254	1,842,624
2016	51	920,832	24/27	47/53	905,588	193,160	2,006,898
2015	53	830,723	22/31	42/58	787,241	318,559	1,955,375
2014	49	884,876	23/26	47/53	855,684	256,440	2,301,650
2013	42	821,942	20/22	48/52	784,710	318,443	1,664,036
2012	25	992,931	11/14	44/56	937,988	391,276	1,937,983
2011	23	1,019,273	12/11	52/48	1,028,009	323,018	2,040,133
2010	10	1,128,105	4/6	40/60	1,060,188	703,648	1,816,453
2009	8	1,221,469	4/4	50/50	1,183,355	807,258	1,949,783
2008	20	1,128,357	7/13	35/65	1,005,010	445,070	2,101,187
Total*	517	830,883	233/284	45/55	790,548	161,403	2,301,650
2023 Converted Spas	23	567,963	11/12	48/52	543,562	80,351	1,142,179

Table #3a
Average Facial Sales for Corporate Spas by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas	2024 Average Facial Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Facial Service Sales	2024 Min Facial Service Sales	2024 Max Facial Service Sales
2019	1	796,543	n/a	n/a	796,543	796,543	796,543
2018	1	546,438	n/a	n/a	546,438	546,438	546,438
2017	1	631,093	n/a	n/a	631,093	631,093	631,093
2016	1	514,108	n/a	n/a	514,108	514,108	514,108
2015	3	735,365	2/1	67/33	810,576	396,419	999,100
2014	2	569,487	1/1	50/50	569,487	446,418	692,556
2013	1	324,303	n/a	n/a	324,303	324,303	324,303
2011	2	969,252	1/1	50/50	969,252	839,217	1,099,287
2010	2	746,516	1/1	50/50	746,516	745,748	747,284
2009	1	664,006	n/a	n/a	664,006	664,006	664,006
Total*	15	683,540	11/4	73/27	692,556	324,303	1,099,287

Table #3b
Average Facial Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Franchised Outlets	2024 Average Facial Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Facial Service Sales	2024 Min Facial Service Sales	2024 Max Facial Service Sales
2023	20	212,625	9/11	45/55	195,286	76,230	488,957
2022	35	260,890	12/23	34/66	216,641	111,755	873,893
2021	22	261,338	10/12	45/55	243,858	130,836	417,122
2020	29	363,164	12/17	41/59	337,641	132,725	622,486
2019	44	366,097	20/24	45/55	347,984	91,041	798,100
2018	44	393,853	20/24	45/55	378,239	166,559	697,454
2017	39	462,844	13/26	33/67	380,061	195,706	1,082,553
2016	50	466,172	23/27	46/54	438,746	107,204	1,073,019
2015	50	485,702	22/28	44/56	450,350	129,908	1,066,372
2014	47	481,560	19/28	40/60	398,130	127,412	1,325,968
2013	41	496,523	18/23	44/56	450,272	197,188	1,473,293
2012	25	514,484	9/16	36/64	487,517	209,563	986,579
2011	21	540,357	9/12	43/57	529,030	233,579	810,124
2010	8	653,767	2/6	25/75	528,434	427,587	1,361,803
2009	7	685,084	3/4	43/57	616,049	388,384	1,066,208
2008	20	713,491	10/10	50/50	669,554	267,813	1,851,807
Total*	502	438,731	211/291	42/58	391,889	76,230	1,851,807
2023 Converted Spas	23	130,691	10/13	43/57	112,066	18,232	275,237

Table #3c
Average Facial Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024
All Outlets

Opening Year	2024 Corporate Spas and Franchised Outlets	2024 Average Facial Service Sales	Number Above/Below Average	% Above/Below Average	2024 Median Facial Service Sales	2024 Min Facial Service Sales	2024 Max Facial Service Sales
2023	20	212,625	9/11	45/55	195,286	76,230	488,957
2022	35	260,890	12/23	34/66	216,641	111,755	873,893
2021	22	261,338	10/12	45/55	243,858	130,836	417,122
2020	29	363,164	12/17	41/59	337,641	132,725	622,486
2019	45	375,662	21/24	47/53	355,083	91,041	798,100
2018	45	397,243	20/25	44/56	380,778	166,559	697,454
2017	40	467,051	14/26	35/65	391,293	195,706	1,082,553
2016	51	467,112	24/27	47/53	440,497	107,204	1,073,019
2015	53	499,834	23/30	43/57	454,033	129,908	1,066,372
2014	49	485,149	20/29	41/59	412,039	127,412	1,325,968
2013	42	492,422	18/24	43/57	449,268	197,188	1,473,293
2012	25	514,484	9/16	36/64	487,517	209,563	986,579
2011	23	577,652	11/12	48/52	530,956	233,579	1,099,287
2010	10	672,316	4/6	40/60	614,675	427,587	1,361,803
2009	8	682,449	3/5	38/63	640,028	388,384	1,066,208
2008	20	713,491	10/10	50/50	669,554	267,813	1,851,807
Total*	517	445,834	220/297	43/57	397,151	76,230	1,851,807
2023 Converted Spas	23	130,691	10/13	43/57	112,066	18,232	275,237

Table #4a
Average Gift Card Sales for Corporate Spas by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas	2024 Average Gift Card Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gift Card Sales	2024 Min Gift Card Sales	2024 Max Gift Card Sales
2019	1	274,879	n/a	n/a	274,879	274,879	274,879
2018	1	221,961	n/a	n/a	221,961	221,961	221,961
2017	1	155,465	n/a	n/a	155,465	155,465	155,465
2016	1	183,138	n/a	n/a	183,138	183,138	183,138
2015	3	243,471	2/1	67/33	267,099	138,762	324,553
2014	2	184,757	1/1	50/50	184,757	158,349	211,165
2013	1	106,835	n/a	n/a	106,835	106,835	106,835
2011	2	290,705	1/1	50/50	290,705	268,575	312,835
2010	2	327,266	1/1	50/50	327,266	244,115	410,418
2009	1	228,039	n/a	n/a	228,039	228,039	228,039
Total*	15	233,746	11/4	73/27	228,039	106,835	410,418

Table #4b
Average Gift Card Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Franchised Outlets	2024 Average Gift Card Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gift Card Sales	2024 Min Gift Card Sales	2024 Max Gift Card Sales
2023	20	107,581	9/11	45/55	99,470	31,832	242,863
2022	35	113,568	16/19	46/54	106,217	43,450	228,575
2021	22	109,687	10/12	45/55	90,518	38,281	207,593
2020	29	152,126	15/14	52/48	153,256	60,957	280,881
2019	44	151,347	22/22	50/50	151,589	45,742	313,911
2018	44	144,675	21/23	48/52	140,322	59,818	291,162
2017	39	171,009	19/20	49/51	160,805	40,277	532,090
2016	50	186,652	20/30	40/60	156,903	47,432	581,264
2015	50	138,809	26/24	52/48	141,856	46,904	302,775
2014	47	170,817	19/28	40/60	150,027	46,367	452,594
2013	41	153,994	17/24	41/59	148,990	51,852	403,375
2012	25	203,586	11/14	44/56	198,961	84,758	350,008
2011	21	213,626	8/13	38/62	191,728	107,091	417,616
2010	8	287,524	2/6	25/75	258,797	141,420	581,996
2009	7	237,482	2/5	29/71	183,798	146,403	436,213
2008	20	246,891	9/11	45/55	199,640	74,480	793,640
Total*	502	162,823	226/276	45/55	148,039	31,832	793,640
2023 Converted Spas	23	92,223	11/12	48/52	89,438	25,525	231,758

Table #4c
Average Gift Card Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas and Franchised Outlets	2024 Average Gift Card Sales	Number Above/Below Average	% Above/Below Average	2024 Median Gift Card Sales	2024 Min Gift Card Sales	2024 Max Gift Card Sales
2023	20	107,581	9/11	45/55	99,470	31,832	242,863
2022	35	113,568	16/19	46/54	106,217	43,450	228,575
2021	22	109,687	10/12	45/55	90,518	38,281	207,593
2020	29	152,126	15/14	52/48	153,256	60,957	280,881
2019	45	154,092	23/22	51/49	157,532	45,742	313,911
2018	45	146,392	22/23	49/51	144,074	59,818	291,162
2017	40	170,620	19/21	48/53	158,274	40,277	532,090
2016	51	186,583	20/31	39/61	157,008	47,432	581,264
2015	53	144,733	25/28	47/53	143,346	46,904	324,553
2014	49	171,386	20/29	41/59	150,849	46,367	452,594
2013	42	152,871	19/23	45/55	147,548	51,852	403,375
2012	25	203,586	11/14	44/56	198,961	84,758	350,008
2011	23	220,329	10/13	43/57	209,243	107,091	417,616
2010	10	295,472	3/7	30/70	262,628	141,420	581,996
2009	8	236,302	2/6	25/75	205,919	146,403	436,213
2008	20	246,891	9/11	45/55	199,640	74,480	793,640
Total*	517	164,880	233/284	45/55	149,651	31,832	793,640
2023 Converted Spas	23	92,223	11/12	48/52	89,438	25,525	231,758

Table #5a
Average Retail Sales for Corporate Spas by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas	2024 Average Retail Sales	Number Above/Below Average	% Above/Below Average	2024 Median Retail Sales	2024 Min Retail Sales	2024 Max Retail Sales
2019	1	136,207	n/a	n/a	136,207	136,207	136,207
2018	1	79,066	n/a	n/a	79,066	79,066	79,066
2017	1	77,095	n/a	n/a	77,095	77,095	77,095
2016	1	73,417	n/a	n/a	73,417	73,417	73,417
2015	3	107,108	2/1	67/33	125,913	55,810	139,602
2014	2	78,312	1/1	50/50	78,312	48,007	108,617
2013	1	47,752	n/a	n/a	47,752	47,752	47,752
2011	2	146,729	1/1	50/50	146,729	98,645	194,813
2010	2	74,201	1/1	50/50	74,201	65,696	82,707
2009	1	103,544	n/a	n/a	103,544	103,544	103,544
Total*	15	95,793	11/4	73/27	82,707	47,752	194,813

Table #5b
Average Retail Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Franchised Outlets	2024 Average Retail Sales	Number Above/Below Average	% Above/Below Average	2024 Median Retail Sales	2024 Min Retail Sales	2024 Max Retail Sales
2023	20	33,530	9/11	45/55	32,077	4,330	97,498
2022	35	41,139	11/24	31/69	32,240	12,495	166,183
2021	22	33,545	11/11	50/50	33,269	12,425	60,337
2020	29	51,544	13/16	45/55	49,337	14,540	121,959
2019	44	51,915	18/26	41/59	43,226	14,877	119,552
2018	44	51,694	18/26	41/59	46,873	12,369	102,584
2017	39	61,661	15/24	38/62	54,358	14,101	210,426
2016	50	61,635	20/30	40/60	56,984	8,075	192,447
2015	50	63,310	22/28	44/56	61,026	10,398	145,479
2014	47	61,702	19/28	40/60	55,593	10,828	171,365
2013	41	67,465	14/27	34/66	57,223	20,281	267,298
2012	25	59,533	11/14	44/56	49,203	14,524	152,272
2011	21	62,935	10/11	48/52	59,650	17,704	128,492
2010	8	79,955	2/6	25/75	65,061	44,027	160,128
2009	7	92,059	4/3	57/43	108,007	44,109	127,851
2008	20	108,054	9/11	45/55	100,505	45,741	303,036
Total*	502	58,716	206/296	41/59	51,374	4,330	303,036
2023 Converted Spas	23	19,550	12/11	52/48	21,040	0	39,516

Table #5c
Average Retail Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2024

Opening Year	2024 Corporate Spas and Franchised Outlets	2024 Average Retail Sales	Number Above/Below Average	% Above/Below Average	2024 Median Retail Sales	2024 Min Retail Sales	2024 Max Retail Sales
2023	20	33,530	9/11	45/55	32,077	4,330	97,498
2022	35	41,139	11/24	31/69	32,240	12,495	166,183
2021	22	33,545	11/11	50/50	33,269	12,425	60,337
2020	29	51,544	13/16	45/55	49,337	14,540	121,959
2019	45	53,788	19/26	42/58	43,445	14,877	136,207
2018	45	52,303	19/26	42/58	47,144	12,369	102,584
2017	40	62,047	15/25	38/63	55,501	14,101	210,426
2016	51	61,866	21/30	41/59	57,733	8,075	192,447
2015	53	65,789	22/31	42/58	61,358	10,398	145,479
2014	49	62,380	20/29	41/59	55,593	10,828	171,365
2013	42	66,995	15/27	36/64	56,989	20,281	267,298
2012	25	59,533	11/14	44/56	49,203	14,524	152,272
2011	23	70,221	9/14	39/61	65,682	17,704	194,813
2010	10	78,804	3/7	30/70	68,175	44,027	160,128
2009	8	93,495	5/3	63/38	105,776	44,109	127,851
2008	20	108,054	9/11	45/55	100,505	45,741	303,036
Total*	517	59,791	212/305	41/59	51,708	4,330	303,036
2023 Converted Spas	23	19,550	12/11	52/48	21,040	0	39,516

Table #6
Average Size, First Year Net Rent and Landlord Allowance for Franchised Outlets
First Opened During 2024

Room Count	# Openings	Avg. Size	# Attaining or Exceeding Average	% Attaining or Exceeding Average	Median Size	Min/Max Size	Avg. Rent	# Attaining or Exceeding Average	% Attaining or Exceeding Average	Median Rent	Min/Max Rent	Avg. Landlord Contribution	# Attaining or Exceeding Average	% Attaining or Exceeding Average	Median Landlord Contribution	Min /Max Landlord Contribution
7-9	12	2,395	5	42%	2,317	Min: 1,886 Max: 2,800	\$99,080	6	50%	\$99,080	Min: \$65,700 Max: \$143,336	\$107,391	6	50%	\$110,635	Min: \$- Max: \$282,900
10-12	13	3,250	6	46%	3,200	Min: 2,580 Max: 4,589	\$113,093	7	54%	\$113,093	Min: \$84,908 Max: \$145,976	\$129,989	7	54%	\$133,835	Min: \$- Max: \$205,200
Total	25	2,840	11	44%	2,791	Min: 1,886 Max: 4,589	\$106,087	13	52%	\$103,221	Min: \$65,700 Max: \$145,976	\$118,690	13	52%	\$125,293	Min: \$- Max: \$282,900

Notes to this Item 19 (Tables 1-6):

1. Tables 1 through 5 do not contain information concerning operating costs or expenses, including royalty and advertising or other costs or expenses that must be deducted from gross sales. Operating costs and expenses may vary substantially from outlet to outlet. Franchisees or former franchisees listed in this franchise disclosure document may be one source of this information.

2. For the purposes of this Item 19, “Gross Sales” means the aggregate of all revenue collected from the sale of products, gift cards, barter or exchange, complimentary services, prepaid services and services from all sources in connection with the franchised business whether for check, cash, credit or otherwise, including all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that you collect and pay to any governmental taxing authority, and the value of any allowance issued or granted to any of your customers that you credit in full or partial satisfaction of the price of any products and services offered by the franchised business.

3. For Tables 1a-1c, Average Gross Sales is defined as the sum of the Gross Sales of the included outlets, divided by the total number of included outlets.

4. The businesses presented above range in size from 6 to 20 treatment rooms per location.

5. “Average Number of Members” is the average number of members reported by the included franchised outlet who have joined Hand and Stone’s Lifestyle program as monthly, annual or prepaid members (but excluding three-month memberships) and pay a monthly membership fee currently ranging from \$69.95 to \$99.95 per month. The Average Number of Members is defined as the sum of the members reported by the included franchised outlet divided by the total number of included franchised outlets. The Average Number of Members count does not deduct suspended or frozen members who are not currently paying monthly fees.

6. “Year Opened” is defined as the number of outlets that opened in the stated year, provided that the figures for 2008 also include outlets opened in the 2006 and 2007 calendar years.

7. “Facial Sales” are defined as Gross Sales of skin care services and products, including facials, microdermabrasion, and peels and are included in the average gross sales above. The Average Facial Sales is defined as the sum of the Facial Sales of the included outlets divided by the total number of included outlets.

8. “Size” refers to the size of the gross leasable square footage of the outlet. The Average Size is defined as the sum of the Size of the included outlet divided by the number of included outlets.

9. “First Year Net Rent” means the aggregate of all rental costs during the first year of operation to include rent price per square foot, taxes, insurance, and common area maintenance costs while deducting any rental abatements granted by the landlord. The Average First Year Gross Rent is defined as the sum of First Year Gross Rent of the included outlets divided by the total number of included outlets.

10. “Average TI” means the average tenant improvement allowance granted from a landlord to a franchisee to contribute to the tenant's construction build out of leasehold improvements. There were 55 franchised outlets that opened in 2024.

11. “Median” represents the middle number of which half of the included outlets exceeded and half did not.

Table 7 (Gross Sales and Expenses – Corporate Spas and Franchised Outlets)

Table #7a presents certain Corporate Spa Average Revenue and Expenses for the 15 Corporate Spas for the 2024 Calendar Year. Table #7b presents the Average Revenue and Expenses for 188 of the 502 Franchised Outlets for the 2024 Calendar Year. 314 of the 502 Franchised Outlets were excluded from the results presented in Table #7b because they did not report their expenses to us. The Average Gross Sales for the 314 Franchised Outlets that failed to report their expenses to us are summarized in Note 1 below.

Table #7a
Corporate Spa Average Revenue and Expenses for the Calendar Year 2024

Metric	Age of Spa (Years)	Count	Average	Median	# Attaining or Exceeding Average	% Attaining or Exceeding Average	High	Low
Gross Sales	1-3	0	-	-	-	-	-	-
	4-6	1	2,250,973	2,243,207	1	100%	2,243,207	2,243,207
	7-9	6	2,114,087	1,501,451	2	33%	2,934,865	1,501,451
	10+	8	2,424,275	1,205,437	6	75%	3,278,355	1,205,437
	Total	15	2,288,647	1,205,437	7	47%	3,278,355	1,205,437
Labor and Benefit Costs	1-3	0	-	-	-	-	-	-
	4-6	1	1,047,707	1,047,707	1	100%	1,047,707	1,047,707
	7-9	6	987,682	993,271	3	50%	1,241,069	684,134
	10+	8	1,074,852	1,050,145	4	50%	1,404,046	676,245
	Total	15	1,038,174	1,047,707	8	53%	1,404,046	676,245
Occupancy Costs	1-3	0	-	-	-	-	-	-
	4-6	1	186,319	186,319	1	100%	186,319	186,319
	7-9	6	134,678	131,909	3	50%	180,007	105,165
	10+	8	148,943	138,503	3	38%	205,609	116,133
	Total	15	145,728	138,738	5	33%	205,609	105,165
Royalties and National Marketing Costs	1-3	0	-	-	-	-	-	-
	4-6	1	157,568	157,568	1	100%	157,568	157,568
	7-9	6	147,986	129,596	2	33%	205,441	105,102
	10+	8	169,699	173,722	4	50%	229,485	84,381
	Total	15	160,205	157,568	7	47%	229,485	84,381
Other Operating Costs	1-3	0	-	-	-	-	-	-
	4-6	1	404,718	404,718	1	100%	404,718	404,718
	7-9	6	385,566	368,012	2	33%	476,183	322,430
	10+	8	422,164	392,896	2	25%	589,895	297,051
	Total	15	406,362	385,434	5	33%	589,895	297,051

Table #7b
Franchise Spa Average Revenue and Expenses for the Calendar Year 2024

Metric	Age of Spa (Years)	Count	Average	Median	# Attaining or Exceeding Average	% Attaining or Exceeding Average	High	Low
Gross Sales	1-3	18	764,372	618,029	7	39%	1,932,969	426,243
	4-6	50	1,187,886	1,169,598	24	48%	2,098,856	571,052
	7-9	51	1,524,140	1,317,905	20	39%	2,781,618	651,329
	10+	69	1,819,466	1,647,948	27	39%	4,337,536	631,820
	Total	188	1,470,358	1,345,699	72	38%	4,337,536	426,243
Labor and Benefit Costs	1-3	18	446,886	350,553	7	39%	1,177,907	208,134
	4-6	50	622,427	622,079	25	50%	1,241,785	277,341
	7-9	51	725,398	646,492	22	43%	1,449,271	305,931
	10+	69	795,839	714,379	26	38%	1,956,955	310,346
	Total	188	697,199	628,926	77	41%	1,956,955	208,134
Occupancy Costs	1-3	18	113,391	111,203	8	44%	149,960	76,259
	4-6	50	132,798	132,951	26	52%	192,687	72,393
	7-9	51	136,178	131,170	22	43%	197,819	76,319
	10+	69	148,368	143,524	28	41%	296,099	80,576
	Total	188	137,571	133,471	86	46%	296,099	72,393
Royalties and National Marketing Costs	1-3	18	60,496	52,712	7	39%	157,921	31,431
	4-6	50	87,577	83,330	20	40%	201,967	45,588
	7-9	51	102,044	94,057	22	43%	192,882	39,066
	10+	69	132,007	113,117	25	36%	395,281	47,159
	Total	188	105,216	93,696	74	39%	395,281	31,431
Other Operating Costs	1-3	18	223,338	190,484	8	44%	518,897	96,047
	4-6	50	236,006	201,491	21	42%	592,621	19,353
	7-9	51	204,228	183,470	24	47%	594,648	20,376
	10+	69	237,466	205,486	28	41%	703,802	17,780
	Total	188	226,709	198,271	84	45%	703,802	17,780

1. The average Gross Sales in 2024 for the 314 excluded Franchised Outlets was \$1,330,866; \$807,165 for the 59 Franchised Outlets that have been open for between 1-3 years; \$1,231,406 for the 67 Franchised Outlets that have been open for between 4-6 years; \$1,460,854 for the 88 Franchised Outlets that have been open for between 7-9 years; and, \$1,592,097 for the 100 Franchised Outlets that have been open for 10+ years.

2. Tables #7a and #7b reflect the following average expenses for the 188 of the 502 Franchised Outlets that reported their expenses to us for the 2024 Calendar Year:

a. “Gross Sales”, or the average of all Gross Sales for the Reporting Outlets during the 2024 Calendar Year. “Gross Sales” are based on the cash method of accounting.

b. “Labor and Benefit Costs” means the total direct and indirect labor costs of manager and hourly wages, payroll taxes and employment benefits incurred by the Reporting Outlets during the 2024 Calendar Year. Labor and Benefits Costs does not include owners’ pay.

c. “Occupancy Costs” means the total base rent, triple net charges (common area maintenance, insurance and taxes) reported to have been paid by the Reporting Outlets during the 2024 Calendar Year.

d. “Royalties / National Marketing” means the total Royalty Fees and National Marketing Fees paid to us by the Reporting Outlets during the 2024 Calendar Year.

e. “Other Operating Costs” includes the following expenses incurred by the Reporting Outlets during the 2024 Calendar Year: local advertising, supplies and linens, equipment, IT/software, promotional and loyalty program expenses, insurance and credit card processing fees. Certain incurred shared expenses that are allocated to the operation of all subsidiary locations have been excluded from this category.

f. The expenses presented in Tables #7a and #7b do not include all expenses incurred by the Reporting Outlets during the 2024 Calendar Year, such as interest expense, depreciation, amortization, and owner compensation and benefits. You may incur additional costs and expenses.

g. The performance information presented in Table #7a was included as part of the overall results of Hand and Stone Franchise LLC, which are audited. However, these affiliate results are not independently verified or separately audited. The information presented in Table #7b was provided by Hand and Stone franchisees and was not independently verified or separately audited.

Assumptions

1. We recommend that you consult with an attorney and other business advisors before purchasing a franchise. We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Franchised Business.

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

Other than the preceding financial performance representation, Hand and Stone Franchise 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 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 Jennifer Durham at 1210 Northbrook Drive, Suite 150, Trevose, PA 19053 (Telephone: 215.259.7540), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
For years 2022, 2023, and 2024

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net Change
Franchised	2022	461	487	+26
	2023	487	527	+40*
	2024	527	580	+53
Company-Owned	2022	12	14	+2
	2023	14	15	+1
	2024	15	15	0
Total Outlets	2022	473	501	+28
	2023	501	542	+41
	2024	542	595	+53

*This figure includes twenty-four (24) Outlets that converted to the System in the 2023 calendar year.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2022, 2023, and 2024

State	Year	Number of Transfers
AZ	2022	2
	2023	0
	2024	0
CA	2022	0
	2023	0
	2024	1
CO	2022	3
	2023	0
	2024	3
FL	2022	8
	2023	6
	2024	0
GA	2022	2
	2023	2
	2024	1

State	Year	Number of Transfers
IL	2022	2
	2023	0
	2024	0
IN	2022	1
	2023	0
	2024	0
MA	2022	0
	2023	1
	2024	0
MD	2022	0
	2023	0
	2024	1
NC	2022	1
	2023	11
	2024	0
NJ	2022	4
	2023	5
	2024	1
NY	2022	3
	2023	3
	2024	1
OH	2022	1
	2023	5
	2024	4
OK	2022	0
	2023	0
	2024	1
PA	2022	4
	2023	2
	2024	2
SC	2022	0
	2023	1
	2024	0
TN	2022	0
	2023	1

State	Year	Number of Transfers
	2024	0
TX	2022	2
	2023	3
	2024	3
WI	2022	1
	2023	0
	2024	0
WA	2022	1
	2023	0
	2024	0
Total	2022	35
	2023	40
	2024	18

Table No. 3
Status of Franchised Outlets
For years 2022, 2023, and 2024

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Alabama	2022	2	1	0	0	0	0	3
	2023	3	3	0	0	0	0	6
	2024	6	0	0	0	0	0	6
Arizona	2022	15	1	0	0	0	0	16
	2023	16	0	0	0	0	0	16
	2024	16	0	0	0	0	0	16
Arkansas	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	2	0	0	0	0	2
California	2022	20	1	1	0	0	0	20
	2023	20	7	0	0	0	0	27
	2024	27	1	0	0	0	1	27
Colorado	2022	18	1	0	0	0	0	19

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
	2023	19	1	0	0	0	0	20
	2024	20	0	0	0	0	0	20
Connecticut	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
	2024	3	0	0	0	0	0	3
Delaware	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Florida	2022	59	8	1	0	3	0	63
	2023	63	5	0	0	1	0	67
	2024	67	6	0	0	0	0	73
Georgia	2022	8	0	1	0	0	0	7
	2023	7	1	0	0	0	0	8
	2024	8	13	0	0	0	0	21
Hawaii	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
Idaho	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Illinois	2022	16	1	0	0	0	0	17
	2023	17	0	0	0	0	0	17
	2024	17	2	0	0	0	0	19
Indiana	2022	4	1	0	0	0	0	5
	2023	5	0	0	0	0	0	5
	2024	5	0	0	0	0	0	5
Kansas	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	1	0	0	0	0	3

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
Kentucky	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Maryland	2022	8	3	0	0	0	0	11
	2023	11	1	0	0	0	0	12
	2024	12	1	0	0	0	0	13
Massachusetts	2022	5	0	0	0	0	0	5
	2023	5	0	1	0	0	0	4
	2024	4	0	0	0	0	0	4
Michigan	2022	9	0	0	0	0	0	9
	2023	9	10	0	0	0	0	19
	2024	19	10	0	0	0	0	29
Minnesota	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Missouri	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Nebraska	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
Nevada	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	0	0	0	0	0	3
New Hampshire	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
	2024	2	0	0	0	0	0	2
New Jersey	2022	59	1	0	0	0	0	60
	2023	60	1	0	0	0	0	61

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
	2024	61	0	0	0	0	0	61
New York	2022	22	0	0	0	0	0	22
	2023	22	0	1	0	0	0	21
	2024	21	0	0	0	0	1	20
North Carolina	2022	26	1	0	0	0	0	27
	2023	27	1	0	0	0	0	28
	2024	28	2	0	0	0	0	30
Ohio	2022	14	2	0	0	0	0	16
	2023	16	4	0	0	0	0	20
	2024	20	4	0	0	0	0	24
Oklahoma	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
Oregon	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
	2024	7	0	0	0	0	0	7
Pennsylvania	2022	46	1	0	0	0	0	47
	2023	47	2	0	0	0	0	49
	2024	49	1	0	0	0	0	50
South Carolina	2022	7	0	0	0	0	0	7
	2023	7	1	0	0	0	0	8
	2024	8	4	0	0	0	0	12
Tennessee	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
	2024	3	1	0	0	0	0	4
Texas	2022	55	6	0	0	0	0	61
	2023	61	1	0	0	0	0	62
	2024	62	1	0	0	0	0	63
Utah	2022	3	3	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
	2023	6	1	0	0	0	0	7
	2024	7	1	0	0	0	0	8
Virginia	2022	19	0	0	0	0	0	19
	2023	19	1	0	0	0	0	20
	2024	20	3	0	0	0	0	23
Washington	2022	11	0	1	0	0	0	10
	2023	10	0	0	0	0	0	10
	2024	10	1	0	0	0	0	11
Wisconsin	2022	4	1	2	0	0	0	3
	2023	3	1	0	0	0	0	4
	2024	4	0	0	0	0	0	4
Total	2022	461	35	6	0	3	0	487
	2023	487	43	2	0	1	0	527
	2024	527	55	0	0	0	2	580

Table No. 4
Status of Company-Owned* Outlets
For years 2022, 2023, and 2024

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
New Jersey	2022	2	0	0	1	0	1
	2023	1	0	0	0	0	1
	2024	1	0	0	0	0	1
Florida	2022	10	0	3	0	0	13
	2023	13	0	1	0	0	14
	2024	14	0	0	0	0	14
Total	2022	12	0	3	1	0	14
	2023	14	0	1	0	0	15

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
	2024	15	0	0	0	0	15

*As described in Item 1, our Subsidiaries own and operate one Hand and Stone Massage and Facial Spa unit in New Jersey and 14 Hand and Stone Massage and Facial Spa units in Florida. We do not own or operate any Hand and Stone Massage and Facial Spa units.

Table No. 5
Projected Openings as of December 31, 2024

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 Year
Alabama	2	0	0
Arizona	1	1	0
California	3	2	0
Florida	20	16	0
Hawaii	1	0	0
Idaho	1	1	0
Illinois	8	2	0
Indiana	1	0	0
Louisiana	1	1	0
Maryland	4	1	0
New York	2	2	0
North Carolina	2	1	0
Ohio	2	1	0
Pennsylvania	4	0	0
South Carolina	2	1	0
Tennessee	5	1	0
Texas	7	3	0
Utah	1	1	0
Virginia	4	3	0
Wisconsin	1	1	0
Total	72	38	0

A list of all of our franchisees and regional developers is attached as Exhibits E and G to this Disclosure Document, respectively.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, cancelled, not renewed or otherwise

voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed in Exhibit F to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

During the last three fiscal years, franchisees that have terminated their franchise agreements and are no longer in the Hand & Stone system have signed confidentiality provisions that restrict their ability to speak openly about their experience with the Hand and Stone System.

There are no trademark-specific organizations formed by our franchisees that are associated with the Hand and Stone System.

ITEM 21

FINANCIAL STATEMENTS

Exhibit C to this Disclosure Document contains our audited financial statements as of December 31, 2022, December 31, 2023, and December 31, 2024. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

Exhibit D:	Franchise Agreement (with exhibits)
Exhibit I:	Software Sublicense Agreement
Exhibit J:	Architectural Services Agreement
Exhibit L:	General Release

ITEM 23

RECEIPTS

Our copy and your copy of the Disclosure Document Receipt are located on the last two pages of this Disclosure Document.

EXHIBIT A TO THE DISCLOSURE DOCUMENT
LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

If a state is not listed, Hand and Stone Franchise LLC has not appointed an agent for service of process in that state in connection with the requirements of franchise laws. There may be states in addition to those listed above in which Hand and Stone Franchise LLC has appointed an agent for service of process.

There may also be additional agents appointed in some of the states listed.

<u>CALIFORNIA</u>	<u>CONNECTICUT</u>
Commissioner California Department of Financial Protection and Innovation 320 West 4th Street, Suite 750 Los Angeles, CA 90013 (213) 576-7500 Toll Free (866) 275-2677 651 Bannon Street, Suite 300 Sacramento, CA 95811 (916) 576-4941 1455 Frazee Road, Suite 315 San Diego, CA 92108 (619) 610-2093 One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565	State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner

<p><u>HAWAII</u> (state administrator)</p> <p>Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722</p> <p>(agent for service of process)</p> <p>Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722</p>	<p><u>ILLINOIS</u></p> <p>Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-1090</p>
<p><u>INDIANA</u> (state administrator)</p> <p>Indiana Secretary of State Securities Division, E-111 302 Washington Street Indianapolis, Indiana 46204 (317) 232-6681</p> <p>(agent for service of process) Indiana Secretary of State 201 State House 200 West Washington Street Indianapolis, Indiana 46204 (317) 232-6531</p>	<p><u>MARYLAND</u> (state administrator)</p> <p>Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p> <p>(for service of process) Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2021 (410) 576-6360</p>
<p><u>MICHIGAN</u> (state administrator)</p> <p>Consumer Protection Division Antitrust and Franchise Unit Michigan Department of Attorney General 525 W. Ottawa Street, 1st Floor Lansing, Michigan 48933 (517) 373-7117</p> <p>(for service of process) Corporations Division Bureau of Commercial Services Department of Labor and Economic Growth P.O. Box 30054 Lansing, Michigan 48909</p>	<p><u>MINNESOTA</u> (state administrator)</p> <p>Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101-2198 (651) 539-1600</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>

<p><u>NEW YORK</u></p> <p>(state administrator) Officer of the New York Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8222 (phone)</p> <p>(for service of process) Attention: New York Secretary of State New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, NY 12231-0001 (518) 473-2492</p>	<p><u>NORTH DAKOTA</u></p> <p>North Dakota Securities Department State Capitol, 14th Floor 600 East Boulevard Avenue Bismarck, North Dakota 58505 (701) 328-4712</p>
<p><u>OREGON</u></p> <p>Department of Insurance and Finance Corporate Securities Section Labor and Industries Building Salem, Oregon 97310 (503) 378-4387</p>	<p><u>RHODE ISLAND</u></p> <p>Securities Division Department of Business Regulation, Bldg. 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9582</p>
<p><u>SOUTH DAKOTA</u></p> <p>Division of Insurance Securities Regulation 124 S. Euclid, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563</p>	<p><u>VIRGINIA</u></p> <p>State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051</p> <p>(for service of process) Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733</p>

<p><u>WASHINGTON</u> (state administrator)</p> <p>Department of Financial Institutions (Mailing Address) P.O. Box 41200 Olympia, Washington 98507-1200 (360) 902-8715</p> <p>(for service of process) Department of Financial Institutions (Overnight and for Service of Process) 150 Israel Road S.W. Tumwater, Washington 98501-6456</p>	<p><u>WISCONSIN</u> (state administrator)</p> <p>Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705</p>
---	---

EXHIBIT B TO THE DISCLOSURE DOCUMENT
TABLE OF CONTENTS OF THE OPERATIONS MANUAL

Operations Manual – Table of Contents

Cover Page 1 Page

Preface 7 Pages

Introduction 16 Pages

Establishing a Hand and Stone Business 27 Pages

Personnel..... 63 Pages

Daily Spa Procedures..... 52 Pages

Hand and Stone Policies 55 Pages

Advertising..... 45 Pages

EXHIBIT C TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Financial Report
December 31, 2024

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated balance sheets	3-4
Consolidated statements of operations	5
Consolidated statements of changes in member's equity	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-21

Independent Auditor's Report

RSM US LLP

Board of Directors
Hand and Stone Franchise LLC

Opinion

We have audited the consolidated financial statements of Hand and Stone Franchise LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of operations, changes in member's equity and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of their operations and their 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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.

Responsibilities of Management 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 issued or available to be issued.

Auditor's Responsibilities for the Audit 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 GAAS 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 GAAS, 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.

RSM US LLP

Blue Bell, Pennsylvania
April 7, 2025

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets December 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 3,258,953	\$ 2,364,349
Accounts receivable	3,507,102	5,692,433
Inventory	819,110	1,063,524
Deferred opening expenses	559,768	547,952
Other current assets	-	349,952
Prepaid expense	2,258,423	3,029,436
Total current assets	10,403,356	13,047,646
Property and equipment, net	3,560,730	1,822,933
Other assets:		
Intangible assets, net	242,417,174	268,160,590
Goodwill, net	464,904,603	527,757,447
Security deposits	122,416	68,218
Territory assets, net	17,210,413	8,797,273
Leases, right-of-use assets	7,879,266	6,268,141
Total other assets	732,533,872	811,051,669
Total assets	\$ 746,497,958	\$ 825,922,248

(Continued)

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets December 31, 2024 and 2023

	2024	2023
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 14,810,335	\$ 17,733,774
Gift card liability	4,413,002	4,284,827
Deferred revenue	1,330,227	1,226,473
Deferred revenue, spa	19,312,945	18,629,088
Lease liabilities—current	1,318,042	1,137,030
Total current liabilities	41,184,551	43,011,192
Long-term liabilities:		
Deferred revenue, net of current portion	7,019,171	7,668,430
Deferred tax liability	51,069,688	57,499,635
Lease liabilities—noncurrent	6,758,511	5,288,999
Total long-term liabilities	64,847,370	70,457,064
Total liabilities	106,031,921	113,468,256
Commitments and contingencies (Note 7)		
Member's equity	640,466,037	712,453,992
Total member's equity	640,466,037	712,453,992
Total liabilities and member's equity	\$ 746,497,958	\$ 825,922,248

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Operations Years Ended December 31, 2024 and 2023

	2024	2023
Revenues:		
Royalties	\$ 42,535,678	\$ 40,617,599
Initial license fees	1,848,165	1,757,874
Regional developer fees	17,333	91,283
Franchisee spa sales	28,700,005	27,353,386
Equipment sales	1,464,356	2,105,619
Marketing and advertising fees	33,164,038	32,471,493
Gift certificate revenue	5,091,570	5,289,918
Franchisee IT support fees	4,798,745	4,361,581
HS Design	300,177	318,253
Other revenues	4,267,203	4,811,487
Total revenues	122,187,270	119,178,493
Expenses:		
Selling, general and administration expenses	90,086,348	81,111,454
Cost of goods sold—equipment	1,292,468	1,763,254
Amortization of goodwill and intangible assets	90,912,346	89,177,122
Transaction expenses	357,821	514,187
Total expenses	182,648,983	172,566,017
Loss from operations	(60,461,713)	(53,387,524)
Other expense:		
Other expense	(202,129)	(70,250)
Total other expense	(202,129)	(70,250)
Loss before benefit from (provision for) income taxes	(60,663,842)	(53,457,774)
Benefit from (provision for) income taxes	5,296,336	(7,365,273)
Net loss	\$ (55,367,506)	\$ (60,823,047)

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Changes in Member's Equity Years Ended December 31, 2024 and 2023

	Member's Equity
Balance, December 31, 2022	\$ 790,600,944
Incentive compensation	4,026,205
Distributions, net	(21,350,110)
Net loss	(60,823,047)
Balance, December 31, 2023	712,453,992
Incentive compensation	2,194,001
Distributions, net	(18,814,450)
Net loss	(55,367,506)
Balance, December 31, 2024	<u>\$ 640,466,037</u>

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Cash Flows Years Ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Net loss	\$ (55,367,506)	\$ (60,823,047)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	90,315,855	88,296,682
Stock-based compensation	2,194,001	4,026,205
Change in right-of-use assets	39,399	46,921
Deferred income taxes	(6,429,947)	3,820,427
(Increase) decrease in:		
Accounts receivable	2,185,331	(26,320)
Inventory	244,414	(182,243)
Deferred opening expenses	(11,816)	(164,031)
Prepaid expenses	771,013	(784,689)
Security deposits and other assets	295,754	(205,995)
Increase (decrease) in:		
Accounts payable and accrued expenses	(5,216,473)	(502,443)
Gift card liability	128,175	(568,267)
Deferred revenue	(545,505)	(2,703,963)
Deferred revenue, spa	683,857	1,552,069
Net cash provided by operating activities	29,286,552	31,781,306
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	-	(7,569,088)
Acquisition of territory	(7,115,078)	(6,984,742)
Purchase of property and equipment	(2,462,420)	(1,151,212)
Net cash used in investing activities	(9,577,498)	(15,705,042)
Cash flows from financing activities:		
Distributions, net	(18,814,450)	(21,350,110)
Net cash used in financing activities	(18,814,450)	(21,350,110)
Net increase (decrease) in cash	894,604	(5,273,846)
Cash:		
Beginning	2,364,349	7,638,195
Ending	\$ 3,258,953	\$ 2,364,349

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: HS Spa Holdings Inc. (Holdings) is the parent company to HS Parent LLC (Parent), which is the parent company to Hand and Stone Franchise LLC (the LLC or Franchisor). Franchisor is engaged in the business of providing franchise opportunities in the facials and massage spa industry throughout the United States of America. The spas offer a variety of hot stone, therapeutic and relaxation massages and facial services to the general public through member and nonmember programs. All spas are independently owned and operated under the terms of conventional franchise arrangements (Franchisees). When granting franchises, Franchisor is very selective in the franchisee qualification process. After paying the initial franchise fee, franchisees contribute to Franchisor's revenue stream through the payment of royalties, based upon a percentage of sales. The conventional franchise arrangement typically lasts 10 years for franchisees and 15 years for regional developers, at which time the arrangements are able to be renewed. On October 1, 2014, Hand and Stone Franchise LLC also acquired HS Hamilton Spa, LLC, which owns and operates a franchise location under license from the franchisor. HS Hamilton Spa, LLC provides the same variety of services mentioned above. In October of 2018, Hand and Stone Franchise LLC formed H&S Spa Management LLC, which owns and operates 15 franchise locations under the license from the franchisor.

Basis of presentation and principles of consolidation: The accompanying financial statements present the consolidated financial statements of Franchisor and its wholly owned subsidiaries, HS Card Services, Inc., HS Hamilton Spa, LLC., H&S Spa Management LLC., HS Design, LLC. and HSM Advertising, Inc. (collectively, the Company). HS Card Services, Inc. was formed in July 2013 to market, sell, process and maintain the national gift card program for Corp. HS Card Services, Inc. is a Pennsylvania corporation. HS Hamilton Spa, LLC. was formed in October 2014 to purchase the assets of the Hamilton Hand and Stone Massage and Facial Spa from common ownership. HS Hamilton Spa, LLC. is a Pennsylvania company, as they redomiciled in 2015 from New Jersey. H&S Spa Management, LLC was formed in 2018 to purchase the assets of various spas. HSM Advertising, Inc. was formed in August 2009 to be the in-house advertising agency for Franchisor and its franchisees. HSM Advertising Inc. is a New Jersey corporation. HS Design, LLC. was formed in September 2017 to provide architectural drawings and other design services, and to be the in-house design company for Franchisor and its franchisees. HS Design, LLC. is a Pennsylvania company. All significant intercompany balances and transactions have been eliminated.

On June 2, 2022, pursuant to an Agreement and Plan of Merger (the agreement), the Company was acquired by HP H&S Purchaser, Inc. Pursuant to the agreement, Hand and Stone Franchise Corp (the Predecessor) converted to Hand and Stone Franchise LLC. The Company's assets and liabilities were adjusted to fair value on June 2, 2022, the closing date of the acquisition.

A summary of the Company's significant accounting policies follows:

Business combinations: The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed is recorded as goodwill.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

These fair value determinations require judgement and involve the use of significant estimates and assumptions, including assumptions with respect to the selection of valuation methodologies, estimates of future cash inflows and outflows, discount rates and a selection of comparable companies. The Company engages valuation specialists for assistance in determining fair value of the assets acquired and liabilities assumed in a business combination. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed, with a corresponding offset to goodwill.

Revenue recognition and deferred revenue: The Company's revenues consist principally of sales of franchises, royalty fees collected from franchisees and the sale of equipment and supplies. Other revenues include support service fees, vendor commissions and marketing and advertising fees.

Initial franchise fees are recognized as the performance obligations are met. Unearned franchise fees are included in deferred revenue in the accompanying consolidated balance sheets. Deferred revenue obtained through acquisition is recorded at historical carrying value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-02. In accordance with the Company's Franchise Disclosure Document (FDD), the Franchisor will provide certain support services to the franchisees. Prior to the spa opening, the Franchisor will designate a protected territory for the franchisee, and approve the site and lease of the spa. The Franchisor will also provide the franchisee with standard plans and specifications of required supplies, equipment and improvements, which the franchisee is responsible for purchasing. The Company will also provide initial training, equipment set up and on-site assistance, in conjunction with the regional developers, if applicable, for five business days in conjunction with, and prior to, the beginning of operations.

A portion of the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right, and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, a portion of the initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement (10 years), which is consistent with the franchisee's right to use and benefit from the intellectual property. For any portion of the initial franchise fees that are considered to be individually distinct from the ongoing services provided to the franchisee, the Company would recognize those initial franchise fees as each individual performance obligation is satisfied.

Income from the sale of regional development agreements is recognized on a straight-line basis over the term of the agreement, since the Company's obligation remains the same during the entire term.

Royalties from franchisees are recognized in the period that the associated revenues of the franchisees are earned. In the case of terminated agreements, deferred regional development and initial franchise fee revenue is recognized immediately upon the termination of their respective agreements, as future services are no longer required by the Company. In addition, each franchisee is required to pay a monthly fee for computer software maintenance, support and cyber insurance, which is included in franchisee IT support fees.

The Company recognizes revenue from sales of equipment to franchisees upon opening of the spa, which is when the Company has performed substantially all opening services required by the franchise agreement. The Company's policy is to present sales revenues, net of sales taxes collected from its customers. Support service fees are recognized as services are provided. Vendor commissions are recognized as earned.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Marketing fees are for future advertising, marketing and promotional programs. The Company's franchise network contribute part of its gross revenues as defined in the franchise agreement to the Company to promote the products and services offered by the franchise network. The gross revenues and expense associated with these payments are recognized in the consolidated statements of operations when billed.

National advertising fees are based on a percentage of franchisee gross monetary sales, as defined in the franchise agreement, and are used for marketing and advertising provided to franchisees. The Company is obligated to spend these advertising fees on advertising related costs on behalf of the franchisees. The receipts and expenditures associated with these payments are recognized in the consolidated balance sheets, having no effect on income from operations.

HS Hamilton Spa, LLC and H&S Spa Management, LLC (collectively referred to as Spa), principally performs spa services through introductory offers, membership sales, gift card sales, product offerings and upgrades. Spa recognizes revenue for introductory offers, product sales and upgrades, when the service or transaction is complete. Spa recognizes revenue as the performance obligation is satisfied for both memberships and gift card sales. Unused membership and unredeemed gift cards are accounted for as deferred revenue, spa. Spa recognizes revenue from unredeemed membership packages 90 days after the cancellation of membership. Spa recognizes revenue from unredeemed gift card sales based on the age of the liability and the expected utilization. Spa recognized revenue from unredeemed gift cards and membership packages of \$3,461,849 and \$3,384,460 for the years ended December 31, 2024 and 2023, respectively.

HS Design, LLC (Design) principally performs architectural services through drawings and review of third-party drawings. Design recognizes revenue for drawings and reviews when the service is complete.

Deferred opening expenses of \$559,768 and \$547,952 at December 31, 2024 and 2023, respectively, and \$383,921 at January 1, 2023 represent commissions and other costs paid to individuals who performed certain services related to franchisees who have entered into franchise agreements, but not yet opened. These costs are deferred until such time as franchise revenue associated with these opening expenses is recognized.

Revenue from royalties, franchisee spa sales, equipment sales, marketing fees, gift certificate revenue, franchisee IT support fees, HS Design and other revenues are recognized at a point in time, whereas revenue from initial license fees and regional developer fees is recognized over time. Total revenue recognized at a point in time and over time was as follows for the years ended December 31, 2024 and 2023:

	2024	2023
Revenue recognized over time	\$ 1,848,165	\$ 1,757,874
Revenue recognized at a point in time	120,339,105	117,420,619
	<u>\$ 122,187,270</u>	<u>\$ 119,178,493</u>

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Accounts receivable: Management reviews all accounts receivable and royalty receivable balances that exceed 90 days from the due date, and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. The Company does not require collateral from its customers, and the receivables are stated at amounts billed and are currently non-interest bearing.

Allowance for credit losses: The Company adopted Accounting Standards Codification (ASC) 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which includes trade receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach, and measured on a collective (pool) basis, when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2024 was \$1,615,542. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the consolidated financial statements.

Inventory: Inventory, consisting of printed materials for resale to franchisees and spa products available for consumers, are stated at the lower of cost (first in, first out basis) and net realizable value.

Property and equipment: Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Leasehold improvements	Shorter of lease term or useful life
Office equipment	5-10 years
Furniture and fixtures	5-10 years
ERP system development costs	5 years
Business intelligence platform	5 years
Website development costs	2-5 years

Franchise arrangements: Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as continuing royalties of 5% to the Company, based on sales. Effective April 2016, all new franchise agreements and renewals executed subsequent to this date have royalties of 6% from the 53rd week of their operations and after. Hand and Stone franchisees are granted the right to operate a spa for a period of 10 years. As of December 31, 2024 and 2023, there were 595 and 542, respectively, franchise outlets including corporate owned franchisees in operation.

Regional development agreements: The regional developers have the opportunity to own and operate one or more franchises. Regional developers can also offer franchises to others within their territory.

Regional developers are responsible for servicing and training franchisees in their area on an ongoing basis. The Regional Developers currently receive 50% of the net initial franchise fee (after deduction for third party costs) and 40% to 50% of royalties from the franchises established in their territory, which are reflected in commission expense.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Commissions: Under the terms of various broker agreements with third parties, the Company agrees to pay for referral of a candidate who purchases an individual franchise. Commissions are deferred until the related revenue is recognized under the terms of the respective agreements.

Advertising: Advertising costs are expensed as incurred. Corporate advertising expense for the years ended December 31, 2024 and 2023, was \$1,897,467 and \$1,572,820, respectively.

Incentive compensation plan: The Company accounts for unit compensation in accordance with FASB ASC 718, Share-Based Compensation, which requires that compensation cost relating to share based payment transactions be recognized as an expense in the financial statements on a straight-line basis over the vesting period, and cost measured based on the estimated fair value of the equity or liability instrument at the date granted. The policy also requires that forfeitures be estimated and recorded over the vesting period of the instrument. See Note 6.

Reacquired territory rights: Reacquired territory rights arising from the repurchase of regional development agreements are recorded at the lower of cost or market and are amortized over the unexpired term using the straight-line method. The amortization expense for the years ended December 31, 2024 and 2023, was \$994,972 and \$336,496, respectively.

Gift card liability: Gift cards are sold through the national gift card website by HS Card Services, Inc. The gift card liability at December 31, 2024 and 2023, represents gift cards that have been sold prior to the consolidated balance sheet date that have not yet been redeemed. All Company gift cards issued in the U.S. by HS Card Services, Inc. are valid for services at any franchisee location in the U.S. Once gift cards are redeemed at local franchisees, the Company reimburses the local franchisee. The Company recognizes a gift card service fee at time of sale. The Company establishes a reserve for the estimated amount of gift cards that may not be redeemed, and records the change in the reserve as gift card revenue. The gift card liability as of December 31, 2024 and 2023, was \$4,413,002 and \$4,284,827, respectively. The Company recognized gift card breakage revenue of \$1,629,721 and \$1,905,458 for the years ended December 31, 2024 and 2023, respectively.

Income taxes: The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income tax assets are recognized for deductible temporary differences, and deferred income tax liabilities are recognized for taxable temporary differences. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is recognized in income in the period when the change is enacted.

Based on consideration of all available evidence regarding their utilization, net deferred tax assets, are recorded to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, based solely on its technical merits and consideration of relevant taxing authorities widely understood administrative practices and precedents. The Company has analyzed its tax position and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken on current tax returns. The Company is not aware of any tax positions for which it is reasonably possible that the total of amounts of unrecognized tax benefits will change in the next 12 months. The Company is no longer subject to U.S. federal and state tax exemptions for the years prior to 2021. There are no current U.S. federal or state income tax examinations.

Defined contribution plan: The Company sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees of the Company. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to Internal Revenue Service (IRS) limits. The Company contributed \$363,210 and \$306,353 for the years ended December 31, 2024 and 2023, respectively.

Leases: In accordance with ASC 842, the Company determines if a contract is a lease or contains a lease at the date of inception. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the noncancelable term of the lease, inclusive of any rent-free periods and any periods covered by early termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain to exercise. The Company also determines lease classification as of the lease commencement date, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

The Company made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For leases with a term exceeding 12 months, a lease liability is recognized on the Company's consolidated balance sheet at lease commencement date reflecting the present value of its fixed payment obligations over the lease term. A corresponding ROU asset equal to the initial lease liability is also recognized, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. To determine the present value of lease payments, the Company made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

For the Company's operating leases, fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. For leases with a term of 12 months or less, any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the Company's consolidated balance sheets as an accounting policy election. Variable lease payments are expenses as incurred.

Lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and any other periodic market-rate adjustment to base rent are recorded in variable lease expense in the period incurred.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company elected the practical expedient that permits lessees to account for each separate lease component of a contract and its associated non-lease components as single lease component for all asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance, or real estate taxes, which are variable in nature and recorded in variable lease expense in the period incurred.

Goodwill: The Company accounts for goodwill in accordance with FASB ASU 2014-18. Under this guidance, the Company will not separately identify certain other identifiable intangible assets, such as customer lists and covenants not to compete, from goodwill. The Company is also electing to amortize goodwill over a 10-year life.

Concentration of credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions.

Intangible assets: The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgments and assumptions. For the predecessor period, intangible assets include trade names, franchise relationships and program material, which are amortized on a straight-line basis over its useful lives, ranging from 4 to 15 years, except for the trade names, which were determined to have indefinite lives. For the successor period, intangible assets include franchise agreements which are amortized on a straight-line basis over its useful life of 12 years.

Impairment of long-lived assets: The Company reviews long-lived assets, including property and equipment and definite lived intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Acquisition of Business

Pursuant to an asset purchase agreement (APA) dated May 2, 2023, the Company acquired all of the assets and assumed liabilities of a franchised spa located in Florida, for a total consideration of \$5,839,353.

The purchase price has been allocated as follows below:

Cash	\$	900
Prepaid expenses		8,954
Security deposit		4,500
Inventory		43,667
Goodwill		8,418,338
		<u>8,476,359</u>
Accounts payable and accrued expenses		660,000
Deferred revenue		1,977,006
		<u>2,637,006</u>
		<u>\$ 5,839,353</u>

The acquisition was accounted for as a business combination using the acquisition method. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values. The determination of fair value reflects the Company's estimates and assumptions. The Company recognized the excess of purchase price over the fair value of the net assets as goodwill. The goodwill arising from the acquisition is attributed to the cumulative processes, procedures and knowledge of the workforce in place. A majority of the goodwill is deductible from income tax purposes. The estimated life of the acquired goodwill is 10 years and will be amortized on a straight-line basis.

In connection with the acquisitions of businesses and territories, the Company incurred transactions costs of \$357,821 and \$514,187 for the years ended December 31, 2024 and 2023, respectively, which is included in transaction expenses in the consolidated statements of operations.

Note 3. Goodwill and Intangible Assets

The gross carrying amount and accumulated amortization of identifiable intangible assets consists of the following at December 31, 2024 and 2023:

		December 31, 2024		
	Weighted-Average Life	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	12 years	\$ 308,921,000	\$ (66,503,826)	\$ 242,417,174
		December 31, 2023		
	Weighted-Average Life	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	12 years	\$ 308,921,000	\$ (40,760,410)	\$ 268,160,590

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Goodwill and Intangible Assets (Continued)

Intangible assets amortization expense was \$25,743,417 for each of the years ended December 31, 2024 and 2023.

Estimated amortization of intangible assets over the next five years, and thereafter, is as follows:

Years ending December 31:

2025	\$ 25,743,417
2026	25,743,417
2027	25,743,417
2028	25,743,417
2029	25,743,417
Thereafter	113,700,089
	<u>\$ 242,417,174</u>

The following summarizes the changes to goodwill during the years ended December 31, 2024 and 2023:

Goodwill, December 31, 2022	\$ 579,525,545
Goodwill acquired	10,148,973
Goodwill amortization	<u>(61,917,071)</u>
Goodwill, December 31, 2023	527,757,447
Goodwill amortization	<u>(62,852,844)</u>
Goodwill, December 31, 2024	<u>\$ 464,904,603</u>

Goodwill amortization expense was \$62,852,844 and \$61,917,071 for the years ended December 31, 2024 and 2023, respectively.

Estimated future aggregate amortization expense for goodwill for the next five years, and thereafter, is as:

Years ending December 31:

2025	\$ 62,505,889
2026	62,505,889
2027	62,505,889
2028	62,505,889
2029	62,505,889
Thereafter	152,375,158
	<u>\$ 464,904,603</u>

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment at December 31, 2024 and 2023, consists of the following:

	2024	2023
Furniture and fixtures	\$ 9,007	\$ 3,789
Machinery and equipment	940,108	572,413
Leasehold improvements	1,107,467	821,167
Design project	12,355	13,655
Enterprise software	389,191	218,863
Franchise development website	1,225,279	491,572
Business intelligence	65,000	52,000
Software	887,472	-
	<u>4,635,879</u>	<u>2,173,459</u>
Accumulated depreciation and amortization	<u>(1,075,149)</u>	<u>(350,526)</u>
Total property and equipment, net	<u>\$ 3,560,730</u>	<u>\$ 1,822,933</u>

Depreciation and amortization expense on property and equipment was \$724,623 and \$299,698 for the years ended December 31, 2024 and 2023, respectively.

Note 5. Income Taxes

The total income tax expense for the years ended December 31, 2024 and 2023, comprise the following:

	2024	2023
Current provision:		
Federal and state	\$ 1,133,611	\$ 3,544,846
Deferred provision:		
Federal and state	(6,429,947)	3,820,427
	<u>\$ (5,296,336)</u>	<u>\$ 7,365,273</u>

Components of the Company's deferred tax assets (liabilities) at December 31, 2024 and 2023, are as follows:

	2024	2023
Noncurrent assets (liabilities):		
Property and equipment	\$ (163,884)	\$ (242,052)
Deferred revenue, net	2,796,313	3,068,401
Intangible assets	(61,463,093)	(71,197,956)
Net operating loss	7,112,599	10,699,383
Other	648,377	172,589
Total deferred tax liabilities, net	<u>\$ (51,069,688)</u>	<u>\$ (57,499,635)</u>

The Company follows guidance pursuant to Revenue Procedure 2004-34, which allows a one-year deferral to account for the proper tax application of advanced payments and deferred revenue.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Income Taxes (Continued)

As of December 31, 2024, the Company had federal and state NOL carryforwards of approximately \$33.8 million and \$0.2 million, respectively, before any limitations. The federal NOL has an indefinite carryforward period and the state NOLs will expire at various times beginning in 2032.

Utilization of NOL carryforwards are subject to an annual limitation due to ownership change limitations that have occurred as required by Section 382 of the Code. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income. On June 2, 2022, a change in control occurred as defined by IRS section 382.

Consequently, the Company's utilization of the NOL carryforwards are subject to an annual limitation of approximately \$12.2 million under Section 382 of the Code, which is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments, as required. In addition, such annual limitation amount may be increased by the recognized built-in gains during the five-year post-change Recognition Period. Accordingly, the total annual section 382 limitation for each year of the Recognition Period is increased by the yearly realized built-in gain amount of approximately \$57.2 million.

Note 6. Incentive Compensation

Following the change in control in 2022, new nonqualified incentive unit agreements were awarded to certain key employees. Under the terms of the agreements, the Company granted units that vest over a five-year period, units that vest over a five-year period conditional on certain performance targets being met, and units that vest on a future change in control, conditional on performance.

The Company used the Black-Scholes unit valuation model for estimating the fair value of its incentive units upon the date of grant. Since the Company is not a public entity, the volatility of the units was estimated using comparable industry companies.

The following table summarizes activity for the years ended December 31, 2024 and 2023:

	Service-Vesting Units	Performance- Vesting Units
Unvested at December 31, 2022	24,296,032	23,073,590
Granted	1,757,260	1,757,260
Vested	(4,675,840)	-
Forfeited	(916,831)	(916,831)
Unvested at December 31, 2023	20,460,621	23,914,019
Granted	6,265,016	5,653,795
Vested	(4,782,804)	-
Forfeited	(4,523,034)	(7,029,040)
Unvested at December 31, 2024	17,419,799	22,538,774

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Incentive Compensation (Continued)

The following weighted-average assumptions on the following page were used to estimate the value of units granted in 2024 and 2023:

	2024	2023
Risk-free interest rate	3.93%	4.31%
Expected volatility	42.00%	42.00%
Expected dividend yield	0.00%	0.00%
Expected term of stock options	5 years	5 years
Expected life	5 years	5 years

Incentive compensation expense was \$2,233,400 and \$4,026,205 for the years ended December 31, 2024 and 2023, respectively, and was included in selling, general and administrative expenses on the consolidated statements of operations.

As of December 31, 2024, there was \$4,580,538 of unrecognized compensation expense associated with the Service-Vesting Units which is expected to be recognized over the remaining weighted average vesting period of 3.32 years. As of December 31, 2024, there was \$1,492,217 of unrecognized compensation expense associated with the Performance-Vesting Units.

The Company also has 26,206,096 units outstanding at December 31, 2024, which will vest on a future change in control, subject to criteria as defined, with an outstanding value of \$2,776,300.

Note 7. Leases

The Company leases real estate, including office locations, operating lease agreements. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term, which vary by location. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. These leases expire at various dates through September 2032.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. Operating lease cost for the years ended December 31, 2024 and 2023, was \$1,561,902 and \$1,203,673, respectively.

As of December 31, 2024 and 2023, the weighted average of remaining lease term was 6.5 years and 6.2 years, respectively, and the weighted average discount rate was 3.0% and 2.6%, respectively.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Leases (Continued)

Future undiscounted cash flows for each of the next five years, and thereafter, are as follows as of December 31, 2024:

Years ending December 31:	
2025	\$ 1,535,342
2026	1,549,904
2027	1,427,963
2028	1,328,826
2029	1,025,040
Thereafter	<u>2,133,165</u>
Total lease payments	9,000,240
Less imputed interest	<u>(923,687)</u>
Total present value of lease liabilities	<u>\$ 8,076,553</u>

Supplemental disclosure of cash flow information related to leases was as follows:

	<u>2024</u>	<u>2023</u>
Supplemental disclosure of cash flow information:		
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$ 1,522,504</u>	<u>\$ 1,156,089</u>
Supplemental disclosure of noncash operating activities:		
Acquisition of operating right-of-use assets and operating lease liabilities	<u>\$ 2,952,553</u>	<u>\$ 1,231,448</u>

Note 8. Related-Party Transactions

On June 2, 2022, the Company entered into a management agreement with a related party. Under the terms of the agreement the Company is provided with strategic planning services, operational advice and board services (management services) and is charged a quarterly fee, as defined, between \$1,500,000 and \$3,000,000 annually. Total fees for management services were \$1,868,766 and \$1,835,555 for the years ended December 31, 2024 and 2023, respectively, and was included in selling, general and administrative expenses on the consolidated statements of operations.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Supplemental Cash Flow Information

Supplemental cash flow information for the for the years ended December 31, 2024 and 2023, are as follows:

	2024	2023
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	<u>\$ 3,600,562</u>	<u>\$ 1,406,533</u>
Supplemental disclosure of noncash investing activities:		
Holdback related to territory acquisition included in accrued expenses	\$ 825,086	\$ 724,027
Earnout related to territory acquisition included in accrued expenses	1,467,948	1,425,000
	<u>\$ 2,293,034</u>	<u>\$ 2,149,027</u>

Note 10. Subsequent Events

The Company has evaluated subsequent events occurring after the consolidated balance sheet through the date of April 7, 2025, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Company has determined that no events are material to disclose.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Financial Report
December 31, 2023

Contents

Independent auditor's report	1-2
Financial statements	
Consolidated balance sheets	3-4
Consolidated statements of operations	5
Consolidated statements of changes in stockholders' and member's equity	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-23

Independent Auditor's Report

Board of Directors
Hand and Stone Franchise LLC

Opinion

We have audited the consolidated financial statements of Hand and Stone Franchise LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 (Successor) and 2022 (Successor), the related consolidated statements of operations, changes in stockholders' and member's equity and cash flows for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 (Successor) and 2022 (Successor), and the results of their operations and their cash flows for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit 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.

Responsibilities of Management 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 issued or available to be issued.

Auditor's Responsibilities for the Audit 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 GAAS 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 GAAS, 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.

RSM US LLP

Blue Bell, Pennsylvania
April 8, 2024

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2023 (Successor) and 2022 (Successor)

	2023 (Successor)	2022 (Successor)
Assets		
Current assets:		
Cash	\$ 2,364,349	\$ 7,638,195
Accounts receivable	5,692,433	5,666,113
Inventory	1,063,524	837,614
Deferred opening expenses	547,952	383,921
Other current assets	349,952	153,622
Prepaid expense	3,029,436	2,235,793
Total current assets	13,047,646	16,915,258
Property and equipment, net	1,822,933	971,419
Other assets:		
Intangible assets, net	268,160,590	293,904,007
Goodwill, net	527,757,447	579,525,545
Security deposits	68,218	54,053
Territory assets, net	8,797,273	-
Leases, right-of-use assets	6,268,141	6,316,258
Total other assets	811,051,669	879,799,863
Total assets	\$ 825,922,248	\$ 897,686,540

(Continued)

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2023 (Successor) and 2022 (Successor)

	2023 (Successor)	2022 (Successor)
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 17,733,774	\$ 15,427,190
Gift card liability	4,284,827	4,853,094
Deferred revenue	1,226,473	936,113
Deferred revenue, spa	18,629,088	17,077,019
Lease liabilities—current	1,137,030	1,200,968
Total current liabilities	43,011,192	39,494,384
Long-term liabilities:		
Deferred revenue, net of current portion	7,668,430	8,685,747
Deferred tax liability	57,499,635	53,679,208
Lease liabilities—noncurrent	5,288,999	5,226,257
Total long-term liabilities	70,457,064	67,591,212
Total liabilities	113,468,256	107,085,596
Commitments and contingencies (Note 7)		
Member's equity	712,453,992	790,600,944
Total member's equity	712,453,992	790,600,944
Total liabilities and member's equity	\$ 825,922,248	\$ 897,686,540

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Operations

Year Ended December 31, 2023 (Successor), Period From June 2, 2022 to December 31, 2022 (Successor)
and Period From January 1, 2022 to June 1, 2022 (Predecessor)

	Year Ended December 31, 2023 (Successor)	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Revenues:			
Royalties	\$ 40,617,599	\$ 21,438,987	\$ 13,916,876
Initial license fees	1,757,874	692,861	381,392
Regional developer fees	91,283	19,229	20,188
Franchisee spa sales	27,353,386	11,598,299	8,284,500
Equipment sales	2,105,619	1,552,273	1,177,837
Marketing and advertising fees	32,471,493	18,017,365	10,436,286
Gift certificate revenue	5,289,918	2,733,240	1,827,609
Franchisee IT support fees	4,361,581	2,374,572	1,606,753
HS Design	318,253	121,777	38,276
Other revenues	4,811,487	2,830,749	1,540,036
Total revenues	119,178,493	61,379,352	39,229,753
Expenses:			
Selling, general and administration expenses	81,111,454	35,950,624	26,524,403
Cost of goods sold—equipment	1,763,254	1,233,786	972,114
Amortization of goodwill and intangible assets	89,177,122	50,401,361	8,014,700
Transaction expenses	514,187	184,071	12,766,161
Total expenses	172,566,017	87,769,842	48,277,378
Loss from operations	(53,387,524)	(26,390,490)	(9,047,625)
Other income (expense):			
Other income (expense)	(70,250)	77,161	42,193
Total other (expense) income	(70,250)	77,161	42,193
Loss before provision for income taxes	(53,457,774)	(26,313,329)	(9,005,432)
Provision for income taxes	(7,365,273)	(2,088,692)	(188,873)
Net loss	\$ (60,823,047)	\$ (28,402,021)	\$ (9,194,305)

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Changes in Stockholders' and Member's Equity

Year Ended December 31, 2023 (Successor), Period From June 2, 2022 to December 31, 2022 (Successor)
and Period From January 1, 2022 to June 1, 2022 (Predecessor)

	Common Stock, Class A		Additional Paid-In Capital	Retained Earnings	Total Stockholders' Equity
	Number of Shares Outstanding	Amount			
(Predecessor)					
Balance, January 1, 2022	870,328	\$ 870	\$ 37,466,927	\$ 28,041,366	\$ 65,509,163
Incentive compensation	-	-	51,302	-	51,302
Capital contributions, net	-	-	-	26,631,945	26,631,945
Net loss	-	-	-	(9,194,305)	(9,194,305)
Balance, June 1, 2022	870,328	\$ 870	\$ 37,518,229	\$ 45,479,006	\$ 82,998,105

	Member's Equity
(Successor)	
Balance, June 2, 2022	\$ -
Capital contributions, net	819,002,965
Net loss	(28,402,021)
Balance, December 31, 2022	790,600,944
Incentive compensation	4,026,205
Distributions, net	(21,350,110)
Net loss	(60,823,047)
Balance, December 31, 2023	\$ 712,453,992

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Cash Flows

Year Ended December 31, 2023 (Successor), Period From June 2, 2022 to December 31, 2022 (Successor)
and Period From January 1, 2022 to June 1, 2022 (Predecessor)

	Year Ended December 31, 2023 (Successor)	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Cash flows from operating activities:			
Net loss	\$ (60,823,047)	\$ (28,402,021)	\$ (9,194,305)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	88,296,682	50,452,189	8,204,759
Stock based compensation	4,026,205	-	51,302
Deferred income taxes	3,820,427	1,062,552	175,314
(Increase) decrease in:			
Accounts and notes receivable	(26,320)	(15,915)	(3,302,945)
Inventory	(182,243)	306,807	(554,527)
Deferred opening expenses	(164,031)	95,684	(696,164)
Prepaid expenses	(784,689)	(699,866)	(165,145)
Security deposits and other assets	(205,995)	534,104	(667,824)
Leases, right-of-use assets	46,921	110,967	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(502,443)	482,804	3,949,566
Gift card liability	(568,267)	(616,181)	(440,129)
Deferred revenue	(2,703,963)	(96,318)	85,543
Deferred revenue, spa	1,552,069	411,515	343,631
Net cash provided by (used in) operating activities	31,781,306	23,626,321	(2,210,924)
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(7,569,088)	(820,914,714)	-
Acquisition of territory	(6,984,742)	-	(19,749,000)
Purchase of property and equipment	(1,151,212)	(543,016)	(45,025)
Net cash used in investing activities	(15,705,042)	(821,457,730)	(19,794,025)
Cash flows from financing activities:			
Capital contributions, net	-	800,842,608	26,631,945
Distributions, net	(21,350,110)	-	-
Net cash (used in) provided by financing activities	(21,350,110)	800,842,608	26,631,945
Net (decrease) increase in cash	(5,273,846)	3,011,199	4,626,996
Cash:			
Beginning	7,638,195	4,626,996	-
Ending	<u>\$ 2,364,349</u>	<u>\$ 7,638,195</u>	<u>\$ 4,626,996</u>

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: HS Spa Holdings Inc. (Holdings) is the parent company to HS Parent LLC (Parent), which is the parent company to Hand and Stone Franchise LLC (the LLC or Franchisor). Franchisor is engaged in the business of providing franchise opportunities in the facials and massage spa industry throughout the United States of America. The spas offer a variety of hot stone, therapeutic and relaxation massages and facial services to the general public through member and non-member programs. All spas are independently owned and operated under the terms of conventional franchise arrangements (Franchisees). When granting franchises, Franchisor is very selective in the franchisee qualification process. After paying the initial franchise fee, franchisees contribute to Franchisor's revenue stream through the payment of royalties, based upon a percentage of sales. The conventional franchise arrangement typically lasts 10 years for franchisees and 15 years for regional developers, at which time the arrangements are able to be renewed. On October 1, 2014, Hand and Stone Franchise LLC also acquired HS Hamilton Spa, LLC, which owns and operates a franchise location under license from the franchisor. HS Hamilton Spa, LLC provides the same variety of services mentioned above. In October of 2018, Hand and Stone Franchise LLC formed H&S Spa Management LLC, which owns and operates 15 franchise locations under the license from the franchisor.

Basis of presentation and principles of consolidations: The accompanying financial statements present the consolidated financial statements of Franchisor and its wholly owned subsidiaries, HS Card Services, Inc., HS Hamilton Spa, LLC., H&S Spa Management LLC., HS Design, LLC. and HSM Advertising, Inc. (collectively, the Company). HS Card Services, Inc. was formed in July 2013 to market, sell, process and maintain the national gift card program for Corp. HS Card Services, Inc. is a Pennsylvania corporation. HS Hamilton Spa, LLC. was formed in October 2014 to purchase the assets of the Hamilton Hand and Stone Massage and Facial Spa from common ownership. HS Hamilton Spa, LLC. is a Pennsylvania company, as they re-domiciled in 2015 from New Jersey. H&S Spa Management, LLC was formed in 2018 to purchase the assets of various spas. HSM Advertising, Inc. was formed in August 2009 to be the in-house advertising agency for Franchisor and its franchisees. HSM Advertising Inc. is a New Jersey corporation. HS Design, LLC. was formed in September 2017 to provide architectural drawings and other design services, and to be the in-house design company for Franchisor and its franchisees. HS Design, LLC. is a Pennsylvania company. All significant intercompany balances and transactions have been eliminated.

On June 2, 2022, pursuant to an Agreement and Plan of Merger (the agreement), the Company was acquired by HP H&S Purchaser, Inc. Pursuant to the agreement, Hand and Stone Franchise Corp (the Predecessor) converted to Hand and Stone Franchise LLC. See Note 2 for further description of the acquisition. As a result, the consolidated financial statements for the periods prior to and including June 1, 2022, reflect the consolidated financial statements of the Company prior to the acquisition (Predecessor). Subsequent to June 1, 2022, the consolidated financial statements reflect the Company after the acquisition (Successor). The Company's assets and liabilities were adjusted to fair value on June 2, 2022, the closing date of the acquisition. Where applicable, the Predecessor and Successor periods have been separated by a vertical line to highlight the fact that the periods have been presented under the two differences bases of accounting and, therefore, are not necessarily comparable.

A summary of the Company's significant accounting policies follows:

Business combinations: The Company accounts for business combinations under the acquisition method of accounting. Under this method, acquired assets, including separately identifiable intangible assets and any assumed liabilities are recorded at their acquisition date estimated fair value. The excess of purchase price over the fair value amounts assigned to the assets acquired and liabilities assumed is recorded as goodwill.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

These fair value determinations require judgement and involve the use of significant estimates and assumptions, including assumptions with respect to the selection of valuation methodologies, estimates of future cash inflows and outflows, discount rates and a selection of comparable companies. The Company engages valuation specialists for assistance in determining fair value of the assets acquired and liabilities assumed in a business combination. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of assets acquired and liabilities assumed, with a corresponding offset to goodwill.

Revenue recognition and deferred revenue: The Company's revenues consist principally of sales of franchises, royalty fees collected from franchisees and the sale of equipment and supplies. Other revenues include support service fees, vendor commissions and marketing and advertising fees.

Initial franchise fees are recognized as the performance obligations are met. Unearned franchise fees are included in deferred revenue in the accompanying consolidated balance sheets. Deferred revenue obtained through acquisition is recorded at historical carrying value in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-02. In accordance with the Company's Franchise Disclosure Document (FDD), the Franchisor will provide certain support services to the franchisees. Prior to the spa opening, the Franchisor will designate a protected territory for the franchisee, and approve the site and lease of the spa. The Franchisor will also provide the franchisee with standard plans and specifications of required supplies, equipment and improvements, which the franchisee is responsible for purchasing. The Company will also provide initial training, equipment set up and on-site assistance, in conjunction with the regional developers, if applicable, for five business days in conjunction with, and prior to, the beginning of operations.

A portion of the services provided in exchange for these initial franchise fees are highly interrelated with the franchise right, and are not individually distinct from the ongoing services the Company provides to its franchisees. As a result, a portion of the initial franchise fees are recognized on a straight-line basis over the term of the franchise agreement (10 years), which is consistent with the franchisee's right to use and benefit from the intellectual property. For any portion of the initial franchise fees that are considered to be individually distinct from the ongoing services provided to the franchisee, the Company would recognize those initial franchise fees as each individual performance obligation is satisfied.

Income from the sale of regional development agreements is recognized on a straight-line basis over the term of the agreement, since the Company's obligation remains the same during the entire term.

Royalties from franchisees are recognized in the period that the associated revenues of the franchisees are earned. In the case of terminated agreements, deferred regional development and initial franchise fee revenue is recognized immediately upon the termination of their respective agreements, as future services are no longer required by the Company. In addition, each franchisee is required to pay a monthly fee for computer software maintenance, support and cyber insurance, which is included in franchisee IT support fees.

The Company recognizes revenue from sales of equipment to franchisees upon opening of the spa, which is when the Company has performed substantially all opening services required by the franchise agreement. The Company's policy is to present sales revenues, net of sales taxes collected from its customers. Support service fees are recognized as services are provided. Vendor commissions are recognized as earned.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Marketing fees are for future advertising, marketing and promotional programs. The Company's franchise network contribute part of its gross revenues as defined in the franchise agreement to the Company to promote the products and services offered by the franchise network. The gross revenues and expense associated with these payments are recognized in the consolidated statements of operations when billed.

National advertising fees are based on a percentage of franchisee gross monetary sales, as defined in the franchise agreement, and are used for marketing and advertising provided to franchisees. The Company is obligated to spend these advertising fees on advertising related costs on behalf of the franchisees. The receipts and expenditures associated with these payments are recognized in the consolidated balance sheets, having no effect on income from operations.

HS Hamilton Spa, LLC. and H&S Spa Management, LLC. (collectively, referred to as Spa), principally performs spa services through introductory offers, membership sales, gift card sales, product offerings and upgrades. Spa recognizes revenue for introductory offers, product sales and upgrades, when the service or transaction is complete. Spa recognizes revenue as the performance obligation is satisfied for both memberships and gift card sales. Unused membership and unredeemed gift cards are accounted for as deferred revenue, spa. Spa recognizes revenue from unredeemed membership packages 90 days after the cancellation of membership. Spa recognizes revenue from unredeemed gift card sales based on the age of the liability and the expected utilization. Spa recognized revenue from unredeemed gift cards and membership packages of \$3,384,460, \$1,488,818 and \$888,885 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively.

HS Design, LLC. (Design) principally performs architectural services through drawings and review of third-party drawings. Design recognizes revenue for drawings and reviews when the service is complete.

Deferred opening expenses of \$547,952 and \$383,921 at December 31, 2023 (Successor) and 2022 (Successor), respectively, represent commissions and other costs paid to individuals who performed certain services related to franchisees who have entered into franchise agreements, but not yet opened. These costs are deferred until such time as franchise revenue associated with these opening expenses is recognized.

Revenue from royalties, franchisee spa sales, equipment sales, marketing fees, gift certificate revenue, franchisee IT support fees, HS Design and other revenues are recognized at a point in time, whereas revenue from initial license fees and regional developer fees is recognized over time. Total revenue recognized at a point in time and over time was as follows for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and for the period from January 1, 2022 to June 1, 2022 (Predecessor):

	December 31, 2023 (Successor)	December 31, 2022 (Successor)	June 1, 2022 (Predecessor)
Revenue recognized over time	\$ 1,757,874	\$ 692,861	\$ 381,392
Revenue recognized at a point in time	117,420,619	60,686,491	38,848,361
	<u>\$ 119,178,493</u>	<u>\$ 61,379,352</u>	<u>\$ 39,229,753</u>

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable: Management reviews all accounts receivable and royalty receivable balances that exceed 90 days from the due date, and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. The Company believes that the receivables are fully collectible and, therefore, has not established a reserve for doubtful accounts. The Company does not require collateral from its customers, and the receivables are stated at amounts billed and are currently non-interest bearing.

Allowance for credit losses and doubtful accounts: The Company adopted Accounting Standards Update (ASC) 326, Financial Instruments—Credit Losses, as of January 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which includes trade receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach, and measured on a collective (pool) basis, when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of December 31, 2023, and change in the allowance for credit losses during the year ended December 31, 2023, was not material to the consolidated financial statements.

Prior to adoption of ASC 326, the Company maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of December 31, 2022, was not material to the consolidated financial statements.

Inventory: Inventory, consisting of printed materials for resale to franchisees and spa products available for consumers, are stated at the lower of cost (first in, first out basis) and net realizable value.

Property and equipment: Property and equipment is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided on a straight-line method over the estimated useful lives of the assets as follows:

	Estimated Useful Life
Leasehold improvements	Shorter of lease term or useful life
Office equipment	5-10 years
Furniture and fixtures	5-10 years
ERP system development costs	5 years
Business intelligence platform	5 years
Website development costs	2-5 years

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Franchise arrangements: Individual franchise arrangements generally include a license and provide for payment of initial fees, as well as continuing royalties of 5% to the Company, based on sales. Effective April 2016, all new franchise agreements and renewals executed subsequent to this date have royalties of 6% from the 53rd week of their operations and after. Hand and Stone franchisees are granted the right to operate a spa for a period of 10 years. As of December 31, 2023 (Successor) and 2022 (Successor), there were 542 and 501 franchise outlets including corporate owned franchisees in operation, respectively.

Regional development agreements: The regional developers have the opportunity to own and operate one or more franchises. Regional developers can also offer franchises to others within their territory.

Regional developers are responsible for servicing and training franchisees in their area on an ongoing basis. The Regional Developers currently receive 50% of the net initial franchise fee (after deduction for third party costs) and 40% to 50% of royalties from the franchises established in their territory, which are reflected in commission expense.

Commissions: Under the terms of various broker agreements with third parties, the Company agrees to pay for referral of a candidate who purchases an individual franchise. Commissions are deferred until the related revenue is recognized under the terms of the respective agreements.

Advertising: Advertising costs are expensed as incurred. Corporate advertising expense for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), was \$1,572,820, \$733,061 and \$497,871, respectively.

Incentive compensation plan: The Company accounts for unit compensation in accordance with FASB ASC 718, Share-Based Compensation, which requires that compensation cost relating to share based payment transactions be recognized as an expense in the financial statements on a straight-line basis over the vesting period, and cost measured based on the estimated fair value of the equity or liability instrument at the date granted. The policy also requires that forfeitures be estimated and recorded over the vesting period of the instrument. See Note 6.

Reacquired territory rights: Reacquired territory rights arising from the repurchase of regional development agreements are recorded at the lower of cost or market and are amortized over the unexpired term using the straight-line method. The amortization expense for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), was \$336,496, \$0 and \$3,812,195, respectively.

Gift card liability: Gift cards are sold through the national gift card website by HS Card Services, Inc. The gift card liability at December 31, 2023 (Successor) and 2022 (Successor), represents gift cards that have been sold prior to the consolidated balance sheet date that have not yet been redeemed. All Company gift cards issued in the U.S. by HS Card Services, Inc. are valid for services at any franchisee location in the U.S. Once gift cards are redeemed at local franchisees, the Company reimburses the local franchisee. The Company recognizes a gift card service fee at time of sale. The Company establishes a reserve for the estimated amount of gift cards that may not be redeemed, and records the change in the reserve as gift card revenue. The gift card liability as of December 31, 2023 (Successor) and 2022 (Successor), was \$4,284,827 and \$4,853,094, respectively. The Company recognized gift card breakage revenue of \$1,905,458, \$1,228,420 and \$925,000 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and January 1, 2022 to June 1, 2022 (Predecessor), respectively.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes: The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income tax assets are recognized for deductible temporary differences, and deferred income tax liabilities are recognized for taxable temporary differences. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect on deferred income taxes of a change in tax rates is recognized in income in the period when the change is enacted.

Based on consideration of all available evidence regarding their utilization, net deferred tax assets, are recorded to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, a valuation allowance is established for that amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized.

The Company recognizes tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, based solely on its technical merits and consideration of relevant taxing authorities widely understood administrative practices and precedents. The Company has analyzed its tax position and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years or expected to be taken on current tax returns. The Company is not aware of any tax positions for which it is reasonably possible that the total of amounts of unrecognized tax benefits will change in the next 12 months. The Company is no longer subject to U.S. federal and state tax examinations for the years prior to 2020. There are no current U.S. federal or state income tax examinations.

Defined contribution plan: The Company sponsors a qualified defined contribution salary reduction 401(k) plan covering all eligible employees of the Company. The maximum contribution payable under the plan is equal to a defined percentage of the eligible employee's salary subject to Internal Revenue Service (IRS) limits. The Company contributed \$306,353, \$136,949 and \$99,853 for the year ended December 31, 2023, the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively.

Leases: In accordance with ASC 842, the Company determines if a contract is a lease or contains a lease at the date of inception. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and any periods covered by early termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain to exercise. The Company also determines lease classification as of the lease commencement date, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

The Company made an accounting policy election not to recognize right-of-use (ROU) assets and lease liabilities for leases with a term of 12 months or less. For leases with a term exceeding 12 months, a lease liability is recognized on the Company's consolidated balance sheet at lease commencement date (or January 1, 2022, for existing leases upon the adoption of SAC 842) reflecting the present value of its fixed payment obligations over the lease term. A corresponding ROU asset equal to the initial lease liability is also recognized, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. To determine the present value of lease payments, the Company made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of ASC 842).

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

For the Company's operating leases, fixed lease payments made over the lease term are recorded as lease expense on a straight-line basis. For leases with a term of 12 months or less, any fixed lease payments are recognized on a straight-line basis over the lease term and are not recognized on the Company's consolidated balance sheets as an accounting policy election. Variable lease payments are expenses as incurred.

Lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index). Subsequent changes to an index and any other periodic market-rate adjustment to base rent are recorded in variable lease expense in the period incurred.

The Company elected the practical expedient that permits lessees to account for each separate lease component of a contract and its associated non-lease components as single lease component for all asset classes. The non-lease components typically represent additional services transferred to the Company, such as common area maintenance, or real estate taxes, which are variable in nature and recorded in variable lease expense in the period incurred.

Goodwill: The Company accounts for goodwill in accordance with FASB ASU 2014-18. Under this guidance, the Company will not separately identify certain other identifiable intangible assets, such as customer lists and covenants not to compete, from goodwill. The Company is also electing to amortize goodwill over a 10-year life.

Concentration of credit risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash. The Company maintains cash deposits in financial institutions in excess of federally insured limits. Management believes the risk is mitigated by maintaining all deposits in high quality financial institutions.

Intangible assets: The Company evaluates the useful lives of intangible assets. Reaching a determination on useful life requires significant judgments and assumptions. For the predecessor period, intangible assets include trade names, franchise relationships and program material, which are amortized on a straight-line basis over its useful lives, ranging from four to 15 years, except for the trade names, which were determined to have indefinite lives. For the successor period, intangible assets include franchise agreements which are amortized on a straight-line basis over its useful life of 12 years.

Impairment of long-lived assets: The Company reviews long-lived assets, including property and equipment and definite lived intangibles, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the asset to future undiscounted cash flows expected to be generated by the asset. If the asset is determined to be impaired, the impairment recognized is measured by the amount by which the carrying value of the asset exceeds its fair value.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Acquisition of Businesses

As a result of the transaction discussed in Note 1, HP H&S Purchaser, Inc. obtained control of the Company on June 2, 2022. In accordance with ASC 805, all identifiable assets and assumed liabilities of the Company were measured at and adjusted to their estimated fair values as of June 2, 2022, and goodwill was recognized based on the difference between the purchase price and the estimated fair value of the identifiable net assets acquired, including the acquired intangible assets.

The purchase price related to Franchisor was \$833.3 million, inclusive of \$558.2 million of cash paid directly to sellers, rollover equity of \$13.5 million and \$98.0 million of transaction expenses, net of cash acquired of \$4.6 million.

The following table summarizes the estimated fair value of identifiable assets acquired and liabilities assumed in the Transaction and the resulting goodwill as of the acquisition date:

Accounts receivable, net	\$ 5,650,198
Inventories	1,081,240
Prepaid expenses and other current assets	2,757,311
Property and equipment	479,231
Leases, right-of-use assets	5,813,311
Intangible assets	308,921,000
Accounts payable, accrued expenses and other current liabilities	(12,067,572)
Deferred revenue	(26,210,986)
Deferred tax liability	(52,616,656)
Lease liabilities, total	(5,813,311)
Other long-term liabilities	(2,876,814)
Total identifiable net assets (liabilities) assumed	225,116,952
Goodwill	603,498,588
	<u>\$ 828,615,540</u>

Identifiable intangible assets represent the value of the franchise agreement acquired and were valued using a discounted cash flow method, which is an income method. The weighted average cost of capital utilized in this valuation was 11.5%, the risk free rate was 3.3% and the market risk premium was 6.0% as of the valuation date

Goodwill reflects the synergistic nature of the Company's identifiable assets that, when employed in combination, generate a value in excess of their individual values. Additionally, a portion of goodwill reflects the value of the Company's assembled workforce. The goodwill is not deductible for tax purposes.

Expenses associated with the transaction were \$98.0 million, and were comprised of \$85.2 million of contingent deal-related expenses included as consideration and \$12.8 million of acquisition related costs which were classified as transaction expenses for the period from January 1, 2022 to June 1, 2022 (Predecessor).

Pursuant to an asset purchase agreement (APA) dated May 2, 2023, the Company acquired all of the assets and assumed liabilities of a franchised spa located in Florida, for a total consideration of \$5,839,353.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Acquisition of Businesses (Continued)

The purchase price has been allocated as follows below:

Cash	\$	900
Prepaid expenses		8,954
Security deposit		4,500
Inventory		43,667
Goodwill		8,418,338
		<u>8,476,359</u>
Accounts payable and accrued expenses		660,000
Deferred revenue		1,977,006
		<u>2,637,006</u>
	\$	<u>5,839,353</u>

Pursuant to an APA dated November 1, 2022, the Company acquired all of the assets and assumed liabilities of several franchised spas located in Florida, for a total consideration of \$5,832,535.

The purchase price has been allocated as follows:

Inventory	\$	63,181
Goodwill		11,411,325
		<u>11,474,506</u>
Deferred revenue		5,641,971
	\$	<u>5,832,535</u>

The APA for this acquisition included a contingent payment of \$1,730,635 to be made to the seller upon meeting certain criteria, as defined. These criteria were subsequently met, and the \$1,730,635 payment has been recorded as a measurement period adjustment for the year ended December 31, 2023.

The acquisitions of the Company were accounted for as business combinations using the acquisition method. Under the acquisition method of accounting, the assets acquired and liabilities assumed in the transaction were recorded at the date of acquisition at their respective fair values. The determination of fair value reflects the Company's estimates and assumptions. The Company recognized the excess of purchase price over the fair value of the net assets as goodwill. The goodwill arising from the acquisitions is attributed to the cumulative processes, procedures and knowledge of the workforce in place. A majority of the goodwill is deductible from income tax purposes. The estimated life of the acquired goodwill is 10 years and will be amortized on a straight-line basis.

In connection with the acquisitions, the Company incurred transactions costs of \$514,187 for the year ended December 31 2023 (Successor), \$184,271 for the period from June 2, 2022 to December 31, 2022 (Successor) and \$717,032 for the year ended December 31, 2021 (Predecessor), which is included in transaction expenses in the consolidated statements of operations.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Goodwill and Intangible Assets

The gross carrying amount and accumulated amortization of identifiable intangible assets consists of the following at December 31, 2023 (Successor) and 2022 (Successor):

December 31, 2023 (Successor)				
	Weighted Average Life	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	12 years	\$ 308,921,000	\$ (40,760,410)	\$ 268,160,590

December 31, 2022 (Successor)				
	Weighted Average Life	Cost	Accumulated Amortization	Net Book Value
Franchise agreements	12 years	\$ 308,921,000	\$ (15,016,993)	\$ 293,904,007

Intangible assets amortization expense was \$25,743,417, \$15,016,993 and \$1,038,890 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively.

Estimated amortization of intangible assets over the next five years, and thereafter, is as follows:

2024	\$ 25,743,417
2025	25,743,417
2026	25,743,417
2027	25,743,417
2028	25,743,417
Thereafter	139,443,505
	<u>\$ 268,160,590</u>

The following summarizes the changes to goodwill during the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor):

Goodwill, December 31, 2021 (Predecessor)	\$ 37,208,072
Goodwill acquired	-
Goodwill amortization	(3,163,615)
Goodwill, June 1, 2022 (Predecessor)	<u>\$ 34,044,457</u>
Goodwill, June 2, 2022 (Successor)	\$ -
Goodwill acquired	614,909,912
Goodwill amortization	(35,384,367)
Goodwill, December 2022 (Successor)	579,525,545
Goodwill acquired	10,148,973
Goodwill amortization	(61,917,071)
Goodwill, December 2023 (Successor)	<u>\$ 527,757,447</u>

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Goodwill and Intangible Assets (Continued)

Goodwill amortization expense was \$61,917,071, \$35,384,367 and \$3,163,615 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively.

Estimated future aggregate amortization expense for goodwill for the next five years, and thereafter, is as:

2024	\$ 62,505,889
2025	62,505,889
2026	62,505,889
2027	62,505,889
2028	62,505,889
Thereafter	215,228,002
	<u>\$ 527,757,447</u>

Note 4. Property and Equipment

Property and equipment at December 31, 2023 (Successor) and 2022 (Successor), consists of the following:

	December 31, 2023 (Successor)	December 31, 2022 (Successor)
Furniture and fixtures	\$ 3,789	\$ 3,926
Machinery and equipment	572,413	164,816
Leasehold improvements	821,167	627,318
Design project	13,655	12,189
Enterprise software	218,863	145,915
Franchise development website	491,572	67,393
Business intelligence	52,000	690
	<u>2,173,459</u>	<u>1,022,247</u>
Accumulated depreciation and amortization	(350,526)	(50,828)
Total property and equipment, net	<u>\$ 1,822,933</u>	<u>\$ 971,419</u>

Depreciation and amortization expense on property and equipment was \$299,698, \$50,828 and \$81,561 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Income Taxes

The total income tax expense for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), comprise the following:

	Year Ended December 31, 2023 (Successor)	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Current provision:			
Federal and state	\$ 3,544,846	\$ 1,026,139	\$ 13,559
Deferred provision:			
Federal and state	3,820,427	1,062,553	175,314
	<u>\$ 7,365,273</u>	<u>\$ 2,088,692</u>	<u>\$ 188,873</u>

Components of the Company's deferred tax assets (liabilities) at December 31, 2023 (Successor) and 2022 (Successor), are as follows:

	December 31, 2023 (Successor)	December 31, 2022 (Successor)
Noncurrent assets (liabilities):		
Property and equipment	\$ (242,052)	\$ (106,569)
Deferred revenue, net	3,068,401	3,164,458
Intangible assets	(71,197,956)	(75,549,522)
Net operating loss	10,699,383	18,734,515
Other	172,589	77,910
Total deferred tax liabilities, net	<u>\$ (57,499,635)</u>	<u>\$ (53,679,208)</u>

The Company follows guidance pursuant to Revenue Procedure 2004-34, which allows a one-year deferral to account for the proper tax application of advanced payments and deferred revenue.

As of December 31, 2023, the Company had federal and state NOL carryforwards of approximately \$50.8 million and \$0.3 million, respectively, before any limitations. The federal NOL has an indefinite carryforward period and the state NOLs will expire at various times beginning in 2032.

Utilization of NOL carryforwards are subject to an annual limitation due to ownership change limitations that have occurred as required by Section 382 of the Code. These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income. On June 2, 2022, a change in control occurred as defined by IRS section 382.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Income Taxes (Continued)

Consequently, the Company's utilization of the NOL carryforwards are subject to an annual limitation of approximately \$12.2 million under Section 382 of the Code, which is determined by first multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term, tax-exempt rate, and then could be subject to additional adjustments, as required. In addition, such annual limitation amount may be increased by the recognized built-in gains during the five-year post-change Recognition Period. Accordingly, the total annual section 382 limitation for each year of the Recognition Period is increased by the yearly realized built-in gain amount of approximately \$57.2 million.

Note 6. Incentive Compensation

The Company had a nonqualified stock option agreements with certain key employees. Under the terms of the agreements, the Company has granted options with 10-year terms that generally vest over a five-year period. The stock option plan was discontinued effective June 1, 2022.

The Company used the Black-Scholes option valuation model for estimating the fair value of its stock options upon the date of grant. Since the Company is not a public entity, the volatility of the stock was estimated using comparable industry companies.

At December 31, 2021 (Predecessor), 110,750 stock options were vested, and 328 were exercised.

The following weighted-average assumptions on the following page were used to estimate the value of options granted in 2021 (Predecessor):

	<u>2021 (Predecessor)</u>
Risk-free interest rate	0.10%
Expected volatility	44.00%
Expected dividend yield	6.00%
Expected term of stock options	10 years
Expected life	5 years

The plan was terminated on June 2, 2022, as a result of the change in control.

Following the change in control, new nonqualified incentive unit agreements were awarded to certain key employees. Under the terms of the agreements, the Company granted units that vest over a five-year period, units that vest over a five-year period conditional on certain performance targets being met, and units that vest on a future change in control, conditional on performance.

The Company used the Black-Scholes unit valuation model for estimating the fair value of its incentive units upon the date of grant. Since the Company is not a public entity, the volatility of the units was estimated using comparable industry companies.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Incentive Compensation (Continued)

The following table summarizes activity for the year ended December 31, 2023 (Successor) and the period from June 2, 2022 to December 31, 2022 (Successor):

	Service-Vesting Units	Performance- Vesting Units
Unvested at June 2, 2022 (Successor)	-	-
Granted	26,435,305	25,212,863
Vested	-	-
Forfeited	(2,139,273)	(2,139,273)
Unvested at December 31, 2022 (Successor)	24,296,032	23,073,590
Granted	1,757,260	1,757,260
Vested	(4,675,840)	-
Forfeited	(916,831)	(916,831)
Unvested at December 31, 2023 (Successor)	20,460,621	23,914,019

The following weighted-average assumptions on the following page were used to estimate the value of units granted in 2023 (Successor) and 2022 (Successor):

	2023 (Successor)	2022 (Successor)
Risk-free interest rate	4.31%	3.10%
Expected volatility	42.00%	42.00%
Expected dividend yield	0.00%	0.00%
Expected term of stock options	5 years	5 years
Expected life	5 years	5 years

Incentive compensation expense was \$4,026,205, \$0 and \$51,302 for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), respectively, and was included in selling, general and administrative expenses on the consolidated statements of operations and comprehensive income.

As of December 31, 2023 (Successor), there was \$5,315,786 of unrecognized compensation expense associated with the Service-Vesting Units which is expected to be recognized over the remaining weighted average vesting period of 3.64 years. As of December 31, 2023 (Successor), there was \$3,687,954 of unrecognized compensation expense associated with the Performance-Vesting Units.

The Company also has 26,358,903 units outstanding at December 31, 2023 (Successor), which will vest on a future change in control, subject to criteria as defined, with an outstanding value of \$2,737,837.

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 7. Leases

The Company leases real estate, including office locations, operating lease agreements. Some leases include one or more options to renew, generally at the Company's sole discretion, with renewal terms that can extend the lease term, which vary by location. In addition, certain leases contain termination options, where the rights to terminate are held by either the Company, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Company will exercise that option. The Company's operating leases generally do not contain any material restrictive covenants or residual value guarantees. These leases expire at various dates through September 2032.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. For the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor), was \$1,203,673, \$707,383 and \$480,616, respectively.

As of December 31, 2023 (Successor) and 2022 (Successor), the weighted average of remaining lease term was 6.2 years and 6.3 years, respectively, and the weighted average discount rate was 2.6% and 2.1%, respectively.

Future undiscounted cash flows for each of the next five years, and thereafter, are as follows as of December 31, 2023:

Years ending December 31:

2024	\$ 1,283,141
2025	1,145,633
2026	1,151,180
2027	1,019,968
2028	911,282
Thereafter	1,507,389
Total lease payments	7,018,593
Less imputed interest	(592,564)
Total present value of lease liabilities	<u>\$ 6,426,029</u>

Supplemental disclosure of cash flow information related to leases was as follows:

	Year Ended December 31, 2023 (Successor)	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Supplemental disclosure of cash flow information:			
Cash paid for amounts included in the measurement of operating lease liabilities	<u>\$ 1,156,089</u>	<u>\$ 626,042</u>	<u>\$ 544,930</u>

Supplemental disclosure of noncash
operating activities:

Acquisition of operating right-of-use assets
and operating lease liabilities

<u>\$ 1,231,448</u>	<u>\$ 1,242,064</u>	<u>\$ -</u>
---------------------	---------------------	-------------

Hand and Stone Franchise LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Related-Party Transactions

On June 2, 2022, the Company entered into a management agreement with a related party. Under the terms of the agreement the Company is provided with strategic planning services, operational advice and board services (management services) and is charged a quarterly fee, as defined, between \$1,500,000 and \$3,000,000 annually. Total fees for management services were \$1,835,555 and \$0 for the year ended December 31, 2023 (Successor) and the period from June 2, 2022 to December 31, 2022 (Successor), respectively.

Note 9. Supplemental Cash Flow Information

Supplemental cash flow information for the for the year ended December 31, 2023 (Successor), the period from June 2, 2022 to December 31, 2022 (Successor) and the period from January 1, 2022 to June 1, 2022 (Predecessor) are as follows:

	Year Ended December 31, 2023 (Successor)	Period From June 2, 2022 to December, 31 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	\$ 1,406,533	\$ -	\$ -
Supplemental disclosure of noncash investing activities:			
Noncash rollover equity related to the acquisition	\$ -	\$ 13,533,361	\$ -
Holdback related to territory acquisition included in accrued expenses	724,027	-	-
Earnout related to territory acquisition included in accrued expenses	1,425,000	-	-
	<u>\$ 2,149,027</u>	<u>\$ 13,533,361</u>	<u>\$ -</u>

Note 10. Subsequent Events

The Company has evaluated subsequent events occurring after the balance sheet through the date of April 8, 2024, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Company has determined that no events are material to disclose.

EXHIBIT D TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT

FRANCHISEE

DATE

TABLE OF CONTENTS

ARTICLE 1	1
DEFINITIONS	1
ARTICLE 2	4
GRANT OF FRANCHISE; APPROVED LOCATION.....	4
ARTICLE 3	6
FEES	6
ARTICLE 4	7
TERM AND RENEWAL	7
ARTICLE 5	8
APPROVED LOCATION.....	8
ARTICLE 6	11
PROPRIETARY MARKS.....	11
ARTICLE 7	13
TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION.....	13
ARTICLE 8	14
TRAINING AND ASSISTANCE	14
ARTICLE 9	15
MANUAL.....	15
ARTICLE 10	16
FRANCHISE SYSTEM	16
ARTICLE 11	17
ADVERTISING AND PROMOTIONAL ACTIVITIES.....	17
ARTICLE 12	19
ACCOUNTING, RECORDS, AND REPORTING OBLIGATIONS.....	19
ARTICLE 13	21
STANDARDS OF OPERATIONS	21
ARTICLE 14	25
FRANCHISOR’S ADDITIONAL OPERATIONS ASSISTANCE.....	25
ARTICLE 15	26
INSURANCE	26
ARTICLE 16	27
DEFAULT AND TERMINATION.....	27
ARTICLE 17	30

RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION	30
ARTICLE 18	33
TRANSFERABILITY OF INTEREST	33
ARTICLE 19	36
RIGHT OF FIRST REFUSAL	36
ARTICLE 20	36
RELATIONSHIP AND INDEMNIFICATION	36
ARTICLE 21	38
GENERAL CONDITIONS AND PROVISIONS	38
ARTICLE 22	40
DISPUTE RESOLUTION	40
ARTICLE 23	42
ACKNOWLEDGMENTS	42
ARTICLE 24	44
OPERATION IN THE EVENT OF ABSENCE OR DISABILITY; STEP-IN RIGHTS	44

EXHIBITS:

Exhibit A – Approved Location; Protected Territory
Exhibit B – Nondisclosure and Non-Competition Agreement
Exhibit C – Transfer to a Corporation or Limited Liability Company
Exhibit D – Franchise Addendum to Lease Agreement
Exhibit E – Acknowledgment of Telephone Number Ownership
Exhibit F – ACH Agreement

HAND AND STONE FRANCHISE LLC

FRANCHISE AGREEMENT

This Franchise Agreement, made this ____ day of _____, 20__, is by and between Hand and Stone Franchise LLC, a New Jersey limited liability company, having its principal place of business at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053 (“Franchisor”), and _____, an individual whose principal address is _____ (“Franchisee”).

WITNESSETH:

WHEREAS, Franchisor and its Affiliate have developed, and are in the process of further developing, a System identified by the service marks “HAND AND STONE”, “HAND AND STONE MASSAGE SPA”, and “HAND AND STONE MASSAGE AND FACIAL SPA” and relating to the establishment and operation of a spa offering professional massage, facial, waxing, skincare, face and body contouring, and face and body sculpting services and the sale of related retail products to the general public referred to as “HAND AND STONE MASSAGE AND FACIAL SPA;” and

WHEREAS, in addition to the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and certain other Marks, the distinguishing characteristics of the System include, among other things, distinctive massage and facial protocols and techniques, uniform standards and procedures for efficient business operations; procedures and strategies for marketing, advertising and promotion; customer service and development techniques; distinctive interior and exterior design, layout and décor; other strategies, techniques and Trade Secrets; and the Manual; and

WHEREAS, Franchisor grants to qualified persons and business entities the right to own and operate a single HAND AND STONE MASSAGE AND FACIAL SPA franchise (a “HAND AND STONE franchise”) using the System and the Marks; and

WHEREAS, Franchisee desires to own and operate a HAND AND STONE franchise, has applied for the Franchise and such application has been approved by Franchisor in reliance upon all of the representations made herein and therein; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor’s high and uniform standards of quality, operations and service and the necessity of operating the Franchised Business in strict conformity with Franchisor’s System.

NOW, THEREFORE, Franchisor and Franchisee, intending to be legally bound, agree as follows:

ARTICLE 1 **DEFINITIONS**

Whenever used in this Agreement, the following words and terms have the following meanings:

“**Affiliate**” means any business entity that controls, is controlled by, or is under common control with Franchisor;

“**Agreement**” means this agreement entitled “Hand and Stone Franchise LLC Franchise Agreement” and all instruments supplemental hereto or in amendment or confirmation hereof;

“Approved Location” means the site for the operation of the Franchised Business selected by Franchisee and approved in writing by Franchisor;

“Approved Supplier(s)” has the meaning given to such term in Section 13.1;

“Competitive Business” means any business: (a) that offers (or grants franchises or licenses to others to operate a business that offers) any of the following services: massage, facial, skincare, face and body contouring, face and body sculpting, waxing services, med spa services and any other spa services the same as or similar to those offered by the Franchised Business or any other HAND AND STONE franchises, or (b) any skincare products, waxing products, and any other goods that are the same or similar to those offered by the Franchised Business or any other HAND AND STONE franchises; or (c) in which Trade Secrets and other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or other HAND AND STONE franchisees; provided, however, that the term “Competitive Business” shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest;

“Confidential Information” means technical and non-technical information used in or related to HAND AND STONE franchise that is not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information;

“Customer” means any person or entity (1) included on any marketing or customer lists Franchisee develops or uses, including any such lists provided by Franchisor to Franchisee; (2) who has purchased or purchases products or services from Franchisee during the term (even if Franchisee has solicited the person and/or established a relationship independent of Franchisor and without Franchisor’s assistance) or whom Franchisee has solicited to purchase any products or services; (3) that is a Member (as defined in Section 13.2); and (4) if any of the foregoing is an entity, all employees of such entity.

“Customer Information” means any contact information (including name, address, phone and fax numbers, and e-mail addresses), sales and payment history, and all other information about any Customer, including any information that identifies, relates to, describes, is capable of being associated with, or could reasonably be linked, directly or indirectly, with a particular individual or household.

“Designated Manager” means the person designated by Franchisee who has primary responsibility for managing the day-to-day affairs of the Franchised Business;

“Effective Date” means the date on which this Agreement is fully executed. In the event that Franchisee executes two (2) or more Franchise Agreements simultaneously, Franchisee’s obligation to open and operate the second Franchised Business shall commence on the date twelve (12) months after the Effective Date; and, if applicable, Franchisee’s obligations to open the third Franchised Business shall commence on the date twenty-four (24) months after the Effective Date;

“Electronic Depository Transfer Account” means an account established at a national banking institution approved by Franchisor and providing Franchisor with access to electronically withdraw any funds due Franchisor;

“Franchise” means the right granted to Franchisee by Franchisor to use the System and the Marks;

“Franchise Fee” has the meaning given to such term in Section 3.1;

“Franchised Business” means the HAND AND STONE franchises to be established and operated by Franchisee pursuant to this Agreement;

“Franchisee” means the individual defined as “Franchisee” in the introductory paragraph of this Agreement;

“Franchisor” means Hand and Stone Franchise LLC;

“Franchisor Indemnitees” has the meaning given to such term in Section 20.3;

“Grand Opening Advertising” has the meaning given to such term in Section 11.1;

“Gross Sales” means the aggregate of all revenue from the sale of products, gift cards, barter or exchange, complimentary services and services from all sources in connection with the Franchised Business whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, but excluding tips received by massage therapists and estheticians, any sales and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, and the value of any allowance issued or granted to any client of the Franchised Business that is credited by Franchisee in full or partial satisfaction of the price of any products and services offered in connection with the Franchised Business;

“Gross Sales Reports” has the meaning given to such term in Section 12.2;

“Incapacity” means the absence of the principal of Franchisee for twenty (20) days or more. Returns to work for less than four (4) consecutive days shall not toll the running of the above-mentioned twenty (20) day period;

“Internet” means any one (1) or more local or global interactive communications media that is now available, or that may become available, including sites and domain names on the World Wide Web;

“Lead Therapist” means the person designated by Franchisee who has primary responsibility for training Franchisee’s massage therapists in Franchisor’s massage protocols and techniques and for maintaining Franchisor’s high-quality standards in the performance of massage services;

“Local Advertising” has the meaning given to such term in Section 3.4;

“Manual” means the HAND AND STONE Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor;

“Marketing Fund” has the meaning given to such term in Section 3.3;

“Marketing Fund Contribution” has the meaning given to such term in Section 3.3;

“Marks” means the service mark “HAND AND STONE MASSAGE AND FACIAL SPA” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, copyrights, drawings and other commercial symbols as Franchisor may designate to be used in connection with HAND AND STONE franchises, including: (i) HAND AND STONE®, U.S. Registration Number 3,101,296, Registration Date: June 6, 2006; (ii) HAND AND STONE MASSAGE SPA®, U.S. Registration Number: 3,137,338, Registration Date: August 29, 2008; (iii) HAND AND STONE MASSAGE AND FACIAL SPA, U.S. Registration Number 3,684,708, Registration Date: September 15, 2009; (iv) Hand and Stone Massage and Facial Spa®, U.S. Registration Number 4,880,654, Registration Date January 5, 2016; (v) HAND AND STONE MASSAGE SPA® (design plus words), U.S. Registration Numbers 5,354,270 Registration Date: December 12, 2017; and (vi) HAND AND STONE MASSAGE SPA® (design plus words), U.S. Registration Numbers 5,354,264 Registration Date: December 12, 2017.

“Protected Territory” means the geographic area of territorial protection granted to Franchisee under this Agreement as defined by Section 2.5;

“Royalty Fee” has the meaning given to such term in Section 3.2;

“System” means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of HAND AND STONE franchises; and

“Trade Secrets” means information in any form that is used in or related to HAND AND STONE franchises and is not commonly known by or available to the public including, but not limited to, protocols and techniques, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers and which information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts to maintain its secrecy that are reasonable under the circumstances.

ARTICLE 2

GRANT OF FRANCHISE; APPROVED LOCATION

2.1 **Grant.** Franchisor hereby grants to Franchisee, and Franchisee undertakes and accepts, upon the terms and conditions herein contained, the right to establish and operate one (1) HAND AND STONE franchise at the Approved Location using the System and Marks.

2.2 **Approved Location.** The street address (or detailed description of the premises) of the Approved Location shall be identified on Exhibit A hereto after Franchisor has approved of such location pursuant to Section 5.1.

2.3 **Approved Location Not Determined.** If the Approved Location of the Franchised Business is not determined as of the Effective Date, then the geographic area in which the Franchised Business is to be located shall be within the Protected Territory. When the Approved Location is determined, its address will be inserted into Section 2.2 and initialed by Franchisor and Franchisee. The failure to insert such address shall not automatically affect the enforceability of this Agreement.

2.4 **Sub-franchising/Agents.** Franchisee shall not sublicense the use of the System or Marks to any person or entity to perform any part of Franchisee’s rights or obligations granted hereunder, or grant

any person or entity the right to act as Franchisee's agent to perform any part of Franchisee's rights or obligations hereunder and any attempt by Franchisee to do so shall be void and of no force and effect.

2.5 **Territorial Protection - Protected Territory.** Except as otherwise provided for herein, so long as this Agreement is in force and effect and Franchisee is not in default in any material respect under any of the terms hereof, Franchisor shall not establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within the geographic area described on Exhibit A hereto ("Protected Territory").

Notwithstanding the first paragraph of this Section 2.5, Franchisor has the right to redefine or reduce the boundaries of the Protected Territory based on the following changes which may include but not be limited to; demographics, population, demand for services, travel times and economic conditions. Franchisor has the right to offer HAND AND STONE franchises to others in the new Protected Territory that does not encompass the Approved Location, provided, however, that Franchisee shall have a right of first refusal to establish a HAND AND STONE franchise in such new Protected Territory prior to Franchisor offering such Protected Territory to third parties. Franchisee must deliver notice of its intent to exercise its right of first refusal within thirty (30) days after receiving notice of Franchisor's intent to divide the Protected Territory and Franchisee must execute a new franchise agreement and pay the corresponding franchise fee within sixty (60) days thereafter.

2.6 **Franchisor's Rights.** Except to the extent provided in Section 2.5 above, Franchisor retains all of its rights with respect to and all control of the System and Marks, including the right to:

(a) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises outside of the Protected Territory;

(b) establish, own or operate, and license others to establish, own or operate, other businesses under other systems using other trademarks whether located or operating inside or outside of the Protected Territory;

(c) provide the services and sell any products authorized for HAND AND STONE franchises, whether now existing or developed in the future, using the Marks or other trademarks and commercial symbols through alternate channels of distribution, such as joint marketing with partner companies and Internet and catalog sales; provided, however, that no such services or products shall be sold to any Competitive Business within the Protected Territory. Franchisee acknowledges that this Agreement grants Franchisee no rights: (i) to distribute such products or services as described in this Section 2.6(c); or (ii) to share in any of the proceeds received by any such party therefrom;

(d) establish, own or operate, and license others to establish, own or operate, HAND AND STONE franchises in captive locations, including those locations within or outside of the Protected Territory, including college campuses, airports, or train stations;

(e) engage in any activities not expressly forbidden by this Agreement; and

(f) communicate directly with any customer of Franchisee for the purpose of monitoring Franchisee's performance hereunder and compliance with the terms of this Agreement.

ARTICLE 3

FEES

3.1 **Franchise Fee.** Upon execution of this Agreement, Franchisee shall pay a fee (“Franchise Fee”) to Franchisor of Forty-Nine Thousand Five Hundred Dollars (\$49,500) via wire transfer in immediately available federal funds. The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

3.2 **Weekly Royalty Fee.** On Tuesday of each week, Franchisee shall pay to Franchisor (its Affiliate or other designee) without offset, credit or deduction of any nature, so long as this Agreement shall be in effect, a weekly fee (“Royalty Fee”) equal to six percent (6%) of Gross Sales for the week ending the previous Saturday. During the Franchised Business’s first fifty-two (52) weeks of operation only, the Royalty Fee shall be equal to five percent (5%). For clarity, if Franchisee is executing this Agreement in connection with Franchisee’s acquisition of an operational Franchised Business, or a renewal of the franchise, the reduced weekly Royalty Fee of five percent (5%) shall not apply and Franchisee shall pay the six percent (6%) weekly Royalty Fee commencing immediately upon the Effective Date. Each weekly Royalty Fee shall accompany a Gross Sales Report, as required by Section 12.2, for the same period. If Franchisor requires Franchisee to pay Royalty Fees through electronic transfer as set forth in Section 3.6, such reports shall instead be submitted by Franchisee electronically or compiled by Franchisor electronically through access to Franchisee’s computer and point of sale system.

3.3 **Marketing Fund Contributions.** Franchisee shall contribute to a System-wide marketing, advertising and promotion fund (“Marketing Fund”) each week an amount equal to one percent (1%) of weekly Gross Sales (“Marketing Fund Contribution”). Marketing Fund Contributions shall be made at the same time and in the same manner as Royalty Fees as provided in Section 3.2. The Marketing Fund shall be maintained and administered by Franchisor or its designee (currently, HSM Advertising, Inc. (“Advertising Agency”), in accordance with the provisions contained in Section 11.3. Upon written notice to Franchisee, any time throughout the Initial Term and effective on January 1 of the calendar year following each written notice, Franchisor may increase the required Marketing Fund Contribution up to 1% of weekly Gross Sales, for a total Marketing Fund Contribution up to 2% of weekly Gross Sales.

3.4 **Local Advertising Fees.** In addition to the Marketing Fund Contribution described above, Franchisee shall pay to Franchisor its Affiliate or other designee each week an amount equal to four percent (4%) of weekly Gross Sales (“Local Advertising Fee”), but not less than Four Hundred Dollars (\$400.00) weekly, which sum shall be used by Franchisor or its designee (currently Advertising Agency) to administer and/or conduct local advertising on Franchisee’s behalf in accordance with Section 11.2.

3.5 **Taxes.** Franchisee shall pay to Franchisor an amount equal to all sales taxes, use taxes and similar taxes imposed on the fees payable by Franchisee to Franchisor hereunder and on services or goods furnished to Franchisee by Franchisor at the same time as Franchisee remits such fees to Franchisor, whether such services or goods are furnished by sale, lease or otherwise, unless the tax is an income tax assessed on Franchisor for doing business in the state where the Franchised Business is located or other federal, state or local taxes assessed against the income of the Franchisor.

3.6 **Electronic Transfer.** Franchisee shall pay all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor and other amounts due to

Franchisor through an Electronic Depository Transfer Account. Franchisee shall open and notify Franchisor of the account details of an Electronic Depository Transfer Account within one hundred eighty (180) days after the Effective Date (but in no event later than the opening of the Franchised Business). Franchisee shall provide Franchisor with continuous access to such account for the purpose of receiving any payments due to Franchisor. Every week, Franchisee shall make deposits to the account sufficient to cover amounts owed to Franchisor prior to the date such amounts are due. Once established, Franchisee shall not close the Electronic Depository Transfer Account without Franchisor's consent.

3.7 **Late Fees.** All Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, amounts due for purchases by Franchisee from Franchisor and other amounts that are not received by Franchisor within five (5) days after the due date shall bear interest at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower) from the date payment is due to the date payment is received by Franchisor. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions, Local Advertising Fees or any other amounts due Franchisor, including reasonable accounting and legal fees.

3.8 **Insufficient Funds Fee.** If there are insufficient funds in Franchisee's account to cover any payment due to Franchisor under this Agreement, including, without limitation, any Royalty Fee, Marketing Fund Contribution, Local Advertising Fee or any other payment due to Franchisor under this Agreement, in addition to any and all remedies available to Franchisor under this Agreement or applicable law, Franchisee shall pay to Franchisor an "Insufficient Funds Fee" in the amount of \$150 for each instance where a payment is not honored by Franchisee's financial institution.

3.9 **Customer Service Fee.** Franchisee shall reimburse Franchisor for any and all costs and expenses incurred by Franchisor in addressing any complaint raised by any customer of Franchisee, including, without limitation, the cost of any refund, gift card or other value provided to such customer in connection with addressing any such issue.

3.8 **Application of Payments.** Notwithstanding any designation by Franchisee, Franchisor has the right to apply any payments by Franchisee to any past due indebtedness of Franchisee and accrued interest thereon for Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, purchases from Franchisor or any other amount owed to Franchisor.

ARTICLE 4

TERM AND RENEWAL

4.1 **Initial Term.** This Agreement shall be effective and binding for an initial term of ten (10) years from the Effective Date, unless sooner terminated pursuant to Article 16.

4.2 **Renewal Term.** Subject to the conditions below, Franchisee has the right to obtain a successor franchise at the expiration of this Agreement by entering into a new franchise agreement with Franchisor. Franchisee's right to obtain a successor franchise is limited to One (1) term of ten (10) years, such that the total term of the Franchise shall not exceed twenty (20) years. To qualify for a successor franchise, each of the following conditions shall have been fulfilled and remain true as of the last day of the term of this Agreement:

(a) Franchisee has, during the entire term of this Agreement, substantially complied with all material provisions;

(b) Franchisee has access to and, for the duration of the successor franchise's term, the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor,

which is in full compliance with Franchisor's then-current specifications and standards, for the duration of the renewal term;

(c) Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Franchised Business reflects Franchisor's then-current standards and specifications;

(d) Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

(e) Franchisee is not currently in default in any material respect of any provision of this Agreement or any other agreement between Franchisee and Franchisor and has not been in default in any material respect more than twice during the term;

(f) Franchisee has given written notice of its intent to operate a successor franchise not less than nine (9) months nor more than twelve (12) months prior to the end of the term of this Agreement, such that Franchisor has no obligation to grant Franchisee a successor franchise without the timely receipt of such notice;

(g) Franchisee has executed Franchisor's then-current form of franchise agreement, or has executed renewal documents at Franchisor's election (with appropriate modifications to reflect the fact that the Franchise Agreement relates to the grant of a successor franchise), which franchise agreement shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement by requiring, among other things, a different percentage Royalty Fee, Marketing Fund Contribution or Local Advertising Fee; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee but shall be required to pay a renewal fee of twenty-five percent (25%) of the then-current initial franchise fee;

(h) Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements; and

(i) Franchisee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit K, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners and employees, except to the extent prohibited by the laws of the state where the Franchised Business is located.

ARTICLE 5

APPROVED LOCATION

5.1 **Selection of Site.** If the Approved Location is not identified as of the Effective Date, then no later than one hundred eighty (180) days following the Effective Date (the "Site Selection Period"), Franchisee shall: (a) locate a site for the Franchised Business within the Designated Area identified on Exhibit A to this Agreement that meets Franchisor's site selection criteria, as set forth in more detail below, and (b) execute a Lease for the Approved Location in accordance with the requirements of Section 5.2 of this Agreement. Franchisee acknowledges and agrees that Franchisee is not afforded any territorial protection in the Designated Area and that the Designated Area is delineated for the sole purpose of identifying the area within which the Approved Location must be located. Once Franchisee identifies a proposed site, Franchisee must submit the proposed site, along with any and all materials Franchisor requests, to determine if the site meets Franchisor's site selection criteria. Franchisee must comply with the Lease requirements set forth in Section 5.2 below and agrees to refrain from signing any lease, sublease, or other document for the proposed site before Franchisor has accepted the proposed site as the Approved

Location. If Franchisor approves of such selection, the site will be designated as the Approved Location for purposes of Section 2.2 and Exhibit A will be updated to reflect the Approved Location and the Protected Territory. Notwithstanding the foregoing, the failure to update Exhibit A shall not affect the enforceability of this Agreement. If Franchisor does not approve of Franchisee's proposed site selection, Franchisee shall continue to select a new site within the Designated Area until Franchisor approves of such selection. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including the condition of the premises, demographics and population density of the surrounding area, proximity to other HAND AND STONE franchises, lease requirements, visibility, ease of access, available parking and overall suitability. Franchisee shall not locate the Franchised Business on a selected site without the prior written approval of Franchisor. Franchisor does not represent that it, any Affiliate or any of its owners or employees have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Franchised Business will be profitable or successful at the Approved Location. Franchisee is solely responsible for finding and selecting a site for the Franchised Business.

5.2 **Lease of Approved Location.** After the approval of the Approved Location (and if the site is to be leased or purchased), Franchisee shall execute a lease for, or a binding agreement to purchase, the Approved Location, the terms of which must have been previously approved by Franchisor. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved Location include its then-current form of franchise addendum to lease agreement attached hereto as Exhibit D containing certain required terms and provisions applicable to the Lease. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor.

5.3 **Development of Approved Location.** Franchisor shall make available to Franchisee, at no charge to Franchisee, copies of standard plans and specifications for the development of a HAND AND STONE franchise, including exterior and interior design and layout, fixtures, equipment, décor and signs. Such plans and specifications are subject to alteration by Franchisor. Franchisee shall cause the Approved Location to be developed, equipped and improved in accordance with such plans and specifications within two hundred and seventy (270) days after the Effective Date. In connection with the development of the Approved Location, Franchisee shall:

(a) employ HS Design, LLC or such other architect that Franchisor approves in writing, to prepare, or provide for the coordination of, for Franchisor's approval, preliminary plans and specifications for improvement of the Approved Location adapted from the plans furnished by Franchisor. In the event Franchisee employs an approved architect besides HS Design, LLC, Franchisee shall pay Franchisor's costs and expenses to review of Franchisee's architectural plans, which shall not exceed \$1,500;

(b) obtain all zoning classifications and clearances that may be required by state and local laws, ordinances or regulations, and submit to Franchisor, for Franchisor's approval, final plans for construction based upon the preliminary plans and specifications;

(c) obtain all building, utility, sign, health, and business permits and licenses, and any other permits and licenses required for the build-out and operation of the Franchised Business and certify in writing and provide evidence to Franchisor that all such permits and certifications have been obtained;

(d) employ a qualified, licensed general contractor approved by Franchisor to complete construction of all required improvements to the Approved Location;

(e) purchase any supplies or inventory necessary for the operation of the Franchised Business;

(f) purchase and install all equipment, signs, artwork, furniture and fixtures, including any computer equipment and software, required for the operation of the Franchised Business;

(g) establish high-speed Internet access and obtain at least three (3) telephone numbers and one (1) facsimile number solely dedicated to the Franchised Business. Franchisee understands and acknowledges that all telephone numbers shall be owned by Franchisor, and that Franchisee shall be designated as the billing party on the applicable telephone service provider's records; and

(h) open an Electronic Depository Transfer Account and notify Franchisor of the pertinent account information.

5.4 **Opening.** Before opening the Franchised Business and commencing business, Franchisee shall:

(a) fulfill all of the obligations of Franchisee pursuant to the other provisions of this Article 5;

(b) furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease, or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

(c) complete initial training to the satisfaction of Franchisor, and ensure that the Designated Manager and Designated Trainer have completed initial training to the satisfaction of Franchisor;

(d) hire the personnel necessary or required for the operation of the Franchised Business;

(e) obtain all necessary permits and licenses; and

(f) pay in full all amounts due and owing to Franchisor.

Franchisee shall comply with these conditions and be prepared to open and continuously operate the Franchised Business within twelve (12) months after the Effective Date, or Franchisor may terminate Franchisee's Franchise Agreement. Time is of the essence. While reserving Franchisor's right to terminate, if the Franchised Business is not opened and operating within twelve (12) months after the Effective Date, Franchisee's rights to establish the Franchised Business at the Approved Location, as well as Franchisee's rights and interests in the Protected Territory, as outlined on Exhibit A, shall automatically expire and be null and void without any further notice to Franchisee. Thereafter, Franchisor may establish, own or operate, or grant rights to or license any other person to establish, own or operate, any other HAND AND STONE MASSAGE AND FACIAL SPA anywhere within the Protected Territory.

5.5 **Use of Approved Location.** Franchisee shall not use the Approved Location for any purpose other than for the operation of a HAND AND STONE franchise in full compliance with this Agreement and the Manual, unless approved in writing by Franchisor.

5.6 **Relocation.** Franchisee shall not relocate the Franchised Business without the prior written consent of Franchisor. If the lease for the Approved Location expires or terminates without the fault of Franchisee or if the Franchised Business's premises is destroyed, condemned or otherwise rendered unusable, or as otherwise may be agreed upon in writing by Franchisor and Franchisee, Franchisor may allow Franchisee to relocate the Franchised Business. Any such relocation shall be at Franchisee's sole expense and shall proceed in accordance with the requirements set forth in Sections 5.1 through 5.4. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If no relocation site meets with Franchisor's approval, this Agreement shall terminate as provided in Article 16.

ARTICLE 6

PROPRIETARY MARKS

6.1 **Ownership.** Franchisee's right to use the Marks is derived solely from this Agreement, is nonexclusive and is limited to the conduct of business by Franchisee pursuant to, and in compliance with, this Agreement and all applicable standards, specifications and operating procedures prescribed from time to time by Franchisor. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

6.2 **Limitations on Use.** Franchisee shall not use any Mark or portion of any Mark as part of any business entity name or trade name, with any prefix, suffix or other modifying words, terms, designs or symbols or in any modified form, without the prior written consent of Franchisor. Franchisee shall not use any Mark in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Franchised Business is an "Independently Owned and Operated Franchise" of Franchisee. Franchisee shall not claim any rights in or to any Mark or modification or variation thereof. Franchisee acknowledges and agrees that it is strictly prohibited from promoting the Franchised Business and using the Marks in any manner on the Internet, including any social or networking website, such as Facebook, LinkedIn, Instagram, Pinterest, X, Groupon, TikTok, and/or YouTube, except in a manner and form approved by Franchisor.

6.3 **Notification of Infringements and Claims.** Franchisee shall promptly notify Franchisor of any infringement of the Marks or challenge to its use of any of the Marks or claim by any person of any rights in any of the Marks of which Franchisee has knowledge. Franchisee shall not communicate with any person other than Franchisor and, through Franchisee's counsel, Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take any action in connection with any such infringement, challenge or claim and has the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the

Marks but Franchisor shall not be required to take such action. Franchisee shall, at Franchisor's expense, execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

6.4 **Indemnification of Use of Marks.** Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has timely notified Franchisor of such proceeding and has complied in all material respects with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks. This indemnification shall not apply to litigation between Franchisor and Franchisee in the event Franchisee's use of the Marks is disputed or challenged by Franchisor. This indemnification shall not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

6.5 **Discontinuance of Use.** If it becomes necessary for Franchisee to modify or discontinue use of any of the Marks or use one (1) or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall, at its sole cost and expense, comply with Franchisor's directions within a reasonable time after notice to Franchisee by Franchisor. Franchisor shall not reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

6.6 **Right to Inspect.** To preserve the validity and integrity of the Marks and any copyrighted materials licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Franchised Business, Franchisor and its designees have the right to enter and inspect the Franchised Business and the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, accessories, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Franchised Business in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other inventory items offered for retail sale, or used in rendering services, to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Franchised Business and to interview and survey (whether in person or by mail) clients and employees and to photograph and videotape the premises.

6.7 **Franchisor's Sole Right to Domain Name.** Franchisee shall not establish, create or operate an Internet site or website using a domain name or uniform resource locator containing the Marks or the words "HAND AND STONE", "HAND AND STONE SPA", "HAND AND STONE MASSAGE SPA", "HAND AND STONE MASSAGE AND FACIAL SPA" or any variation thereof. Franchisee shall not advertise on the Internet using the "HAND AND STONE", "HAND AND STONE SPA", "HAND AND STONE MASSAGE SPA" or "HAND AND STONE MASSAGE AND FACIAL SPA name and any other Mark. Franchisor is the sole owner of all right, title and interest in and to such domain names as Franchisor shall designate in the Manual.

ARTICLE 7
TRADE SECRETS AND OTHER CONFIDENTIAL INFORMATION

7.1 **Requirement of Confidentiality.** Franchisee acknowledges that Franchisor will disclose Trade Secrets and other Confidential Information to Franchisee during the training program, through the Manual, through the use of the System, and as a result of guidance furnished to Franchisee during the term of this Agreement. Franchisee shall not acquire any interest in the Trade Secrets or other Confidential Information, other than the right to utilize it in the development and operation of the Franchised Business and in performing its duties during the term of this Agreement. Franchisee acknowledges that the use or duplication of the Trade Secrets or other Confidential Information in any other business venture would constitute an unfair method of competition. Franchisee acknowledges that the Trade Secrets and other Confidential Information are proprietary and are disclosed to Franchisee solely on the condition that Franchisee (and all holders of a legal or beneficial interest in Franchisee and all officers, directors, executives, managers and members of the professional staff of Franchisee): (a) shall not use the Trade Secrets or other Confidential Information in any other business or capacity; (b) shall maintain the absolute confidentiality of the Trade Secrets and other Confidential Information during and after the term of this Agreement; (c) shall not make any unauthorized copies of any portion of the Trade Secrets or other Confidential Information disclosed in written or other tangible form; (d) shall adopt and implement all reasonable procedures prescribed from time to time by Franchisor to prevent unauthorized use or disclosure of the Trade Secrets and other Confidential Information and (e) shall not use Trade Secrets or Confidential Information to unfairly compete with any other Hand and Stone Massage and Facial Spa. Franchisee shall enforce this Section as to its employees, agents and representatives and shall be liable to Franchisor for any unauthorized disclosure or use of Trade Secrets or other Confidential Information by any of them. This Section shall survive the termination of this Agreement indefinitely.

7.2 **Additional Developments.** All ideas, concepts, techniques or materials concerning the Franchised Business, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to Franchisor and will be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation will be due to Franchisee or its owners or employees therefor. Franchisor may incorporate such items into the System. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor reasonably requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall, at Franchisor’s expense, take all actions reasonably necessary to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

7.3 **Exclusive Relationship.** Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among HAND AND STONE franchisees if owners of HAND AND STONE franchise and members of their immediate families and households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any member of their immediate family and household, nor any executive or manager of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

(a) Divert or attempt to divert any business or client of the Franchised Business to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

(b) Own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

7.4 **Nondisclosure and Non-Competition Agreements with Certain Individuals.** In addition to the restrictive covenants set forth in Section 7.3 above, Franchisor has the right to require Franchisee and any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, or Designated Manager, as well as any other individuals having access to Trade Secrets or other Confidential Information, to execute a nondisclosure and non-competition agreement, in a form the same as or similar to the Nondisclosure and Non-Competition Agreement attached as Exhibit B, upon execution of this Agreement or prior to each such person's affiliation with Franchisee. Upon Franchisor's request, Franchisee shall provide Franchisor with copies of all nondisclosure and non-competition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein. Franchisor shall be a third-party beneficiary with the right to enforce covenants contained in such agreements.

7.5 **Reasonableness of Restrictions.** Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, Trade Secrets and other Confidential Information, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Franchisee shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

ARTICLE 8

TRAINING AND ASSISTANCE

8.1 **Initial Training.** Franchisor shall make an initial operations training program available to the Designated Manager and up to three (3) assistants for a new Franchised Business. Prior to the opening of the Franchised Business, the Designated Manager must attend and successfully complete, to Franchisor's satisfaction, an operations training program consisting of approximately two (2) weeks of combined classroom and on-the-job instruction pertaining to operation of the Franchised Business including, but not limited to: sales and marketing methods; financial controls; maintenance of quality standards; customer service techniques; record keeping; and reporting procedures and other operational issues.

(a) Franchisor shall make an initial massage protocol-training program available to the Franchisee's Lead Therapist. Prior to the opening of the Franchised Business, the Lead Therapist must attend and successfully complete, to Franchisor's satisfaction, the two (2) day massage protocol-training program.

(b) Franchisor shall conduct training programs at its headquarters or at another designated location. Franchisor shall not charge tuition or similar fees for initial training, however, all expenses incurred by Franchisee or its employees in attending such program including, but not limited to, travel costs,

room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee. Franchisor reserves the right, in its sole discretion, to substitute virtual training for any in-person training provided under this Agreement. Franchisee and the Lead Therapist shall be responsible for training its management and other employees.

8.2 **Opening Assistance.** In conjunction with, and prior to, the beginning of operation of the Franchised Business, Franchisor shall make available to Franchisee, at Franchisor's expense, for approximately five (5) days, one (1) of Franchisor's representatives who is experienced in the System for the purpose of providing general assistance and guidance in connection with the opening of the Franchised Business. If Franchisee requests additional assistance with respect to the opening or continued operation of the Franchised Business, and should Franchisor deem it necessary and appropriate to comply with such request, Franchisee shall pay Franchisor's then-current standard rates, plus expenses, for such additional assistance.

8.3 **Failure to Complete Initial Training Program.** If Franchisor determines that the Designated Manager or the Lead Therapist is unable to satisfactorily complete both components of the applicable training program described above, Franchisor has the right to terminate this Agreement. If the Designated Manager fails to complete the initial training program to Franchisor's reasonable satisfaction, Franchisee may be permitted to select a substitute Designated Manager and such substitute manager must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be permitted to select a substitute Lead Therapist and such substitute trainer must complete the initial training to Franchisor's reasonable satisfaction. Franchisee may be required to pay Franchisor's then-current rates for additional training for providing the substitute manager or trainer with an initial training program.

8.4 **New Designated Manager or Lead Therapist.** If Franchisee names a new Designated Manager or Lead Therapist, then the new Designated Manager or Lead Therapist must complete the initial training program to Franchisor's satisfaction within thirty (30) days. The new Designated Manager or Lead Therapist may attend the initial training program without charge, provided that Franchisor has the right to require Franchisee to pay the costs of training if Franchisor determines that manager or trainer changes by Franchisee are excessive or caused by poor hiring practices. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's or Lead Therapist's attendance at such training.

8.5 **Ongoing Training.** From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager or Lead Therapist attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall not require the Designated Manager or Lead Therapist to attend more than two (2) sessions in any calendar year and collectively not more than seven (7) days in any calendar year. Franchisee shall be responsible for all travel costs and living expenses incurred in connection with the Designated Manager's or Lead Therapist's attendance at such training. Franchisor may charge reasonable fees for these ongoing training programs or seminars; Franchisor's then-current per diem rate shall be as designated in the Manual.

ARTICLE 9

MANUAL

9.1 **Loan by Franchisor.** While this Agreement is in effect, Franchisor shall grant Franchisee access to an electronic copy of the Manual. Franchisee shall conduct the Franchised Business in strict accordance with the provisions set forth in the Manual. The Manual may consist of one (1) or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. Franchisor owns the copyrights in the Manual; Franchisee shall not copy or duplicate the Manual in whole or in part. The Manual shall, at all times, remain the sole property of Franchisor and shall promptly be

returned to Franchisor upon expiration or termination of this Agreement. If Franchisee's Manual is lost or destroyed, Franchisor shall supply a replacement Manual to Franchisee and Franchisee shall pay Franchisor's costs and expenses related to such replacement. The standards set forth in the Manual are designed to protect the System and the Marks associated therewith, and not to control the day-to-day operation of the Franchised Business. Franchisee at all times will remain responsible for the operation of the Franchised Business, and all activities occurring at the Franchised Business. Franchisee must hire, train, discipline and otherwise be solely responsible for the Franchised Business's employees. Franchisor is not responsible for and does not direct or control the conduct of any employee of Franchisee.

9.2 **Revisions.** Franchisor has the right to add to or otherwise modify the Manual from time to time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Manual is up-to-date at all times. If a dispute as to the contents of the Manual arises, the terms of the master copy of the Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

9.3 **Confidentiality.** The Manual contains Franchisor's Trade Secrets and other Confidential Information and shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Manual is available at the Approved Location in a current and up-to-date manner. If in paper form or stored on computer-readable media, Franchisee shall maintain the Manual in a locked receptacle at the Approved Location, or if in electronic form, Franchisee shall maintain the Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Manual, access to the key or combination of such receptacle or the password to such file (or Internet site, if the Manual is maintained on-line by Franchisor in a password-protected site). Franchisee shall not disclose, duplicate or otherwise use any portion of the Manual in an unauthorized manner.

ARTICLE 10

FRANCHISE SYSTEM

10.1 **Interchange.** Franchisee shall grant access and extend certain privileges of membership services to all members of a HAND AND STONE membership program, no matter where such membership was issued or purchased, so long as such membership is current and in good standing. Franchisee shall accept as payment for services or products any valid gift card, rewards points or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. Franchisee shall be compensated for providing membership services and fulfilling prepaid services as specified in the Manual or otherwise in writing by Franchisor.

10.2 **Uniformity.** Franchisee shall strictly comply, and shall cause the Franchised Business to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Manual or other communications supplied to Franchisee by Franchisor.

10.3 **Modification of the System.** Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and new or additional computer hardware, software, software support, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make expenditures such as changes, additions or modifications in the System that may be reasonably

required. Any required expenditure for changes or upgrades to the System shall be borne by Franchisee and shall be in addition to expenditures for repairs and maintenance as required in Section 13.3.

10.4 **Variance.** Franchisor has the right to vary standards, materials or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition that Franchisor deems to be of importance to the successful operation of any particular HAND AND STONE franchise. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance hereunder.

ARTICLE 11

ADVERTISING AND PROMOTIONAL ACTIVITIES

11.1 **Grand Opening Advertising.** Franchisee shall pay to Franchisor or its designee FIFTEEN THOUSAND DOLLARS (\$15,000), as specified by Franchisor upon attending the initial training program for local advertisement and promotion of the initial opening of the Franchised Business ("Grand Opening Advertising"). Franchisor or its designee (currently, Advertising Agency) shall expend such amount on Franchisee's behalf. Grand Opening Advertising expenditures shall be in addition to any Local Advertising Fees and Marketing Fund Contributions. In addition, Franchisee is required to provide a minimum of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500) in complimentary services during the Grand Opening event as outlined in the Operations Manual.

11.2 **Local Advertising.** Franchisee shall pay to Franchisor or its designee the Local Advertising Fee as specified in Section 3.4 above, which will be spent by Franchisor or its designee (currently, Advertising Agency) for conducting or administering advertising, promotions and public relations in whole or in part within the Designated Market Area ("DMA") as defined by Nielsen Media Research in which the Franchised Business is located ("Local Advertising"). Following the end of each calendar quarter, Franchisor or its designee (currently, Advertising Agency) shall provide Franchisee, upon written request, with a report detailing the Local Advertising expenditures from the Local Advertising Fees paid by Franchisee for the immediately preceding calendar quarter. Franchisor and/or its designee (currently, Advertising Agency) may, from time to time, in their sole discretion, contract for advertising for the Franchised Business in excess of the Local Advertising Fees that have been charged under this Agreement as of a given date. Should this Agreement terminate for any reason whatsoever as of a date where there exists such an excess commitment of the advertising monies, Franchisee shall be liable to Franchisor or its designee (currently, Advertising Agency) for the full amount of the over expenditure. All decisions regarding the selection of the particular media and the advertising content, in any form of advertising or marketing whatsoever, whether paid for through the Local Advertising Fee or paid for by Franchisee directly, shall be within the sole discretion of Franchisor or its designee (currently, Advertising Agency) and subject to Franchisor's approval.

The Local Advertising Fee shall not be used to defray any general operating expenses of Franchisor, Advertising Agency, or any other Affiliates, except for such reasonable costs and expenses, if any, that Franchisor, Advertising Agency or any other Affiliates may incur in activities reasonably related to the administration of Local Advertising, including the proportionate compensation of Franchisor's, Advertising Agency's or any other Affiliates' employees who devote time and render services in the formulation, development and production of such marketing and promotion programs.

Franchisee agrees to prominently display franchise brochures that Franchisor or the Advertising Agency provides, at Franchisor's cost, in Franchisee's location to solicit prospective franchisees.

11.3 **Marketing Fund.** Franchisor has established a Marketing Fund, to which Franchisee shall pay the Marketing Fund Contribution as defined in Section 3.3. Franchisor or its designee (currently, Advertising Agency) may maintain and administer the Marketing Fund as follows:

(a) Franchisor or its designee (currently, Advertising Agency) shall oversee all marketing programs, with sole control over the creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor or its designee (currently, Advertising Agency) do not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund. The program(s) may be local, regional or System-wide.

(b) Franchisee's Marketing Fund Contributions may be used to meet the costs of, or reimburse Franchisor, Advertising Agency or any other Affiliates for its costs of, researching, producing, maintaining, administering and directing consumer or recruiting advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations and social media and reputation management activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies or its own personnel to assist therein; and providing promotional brochures and other marketing materials to franchisees). Marketing Fund Contributions shall not be used to defray any general operating expenses of Franchisor, Advertising Agency, or any other Affiliates, except for such reasonable costs and expenses, if any, that Franchisor, Advertising Agency or any other Affiliates may incur in activities reasonably related to the administration of the Marketing Fund, including the proportionate compensation of Franchisor's, Advertising Agency's or any other Affiliates' employees who devote time and render services in the formulation, development and production of such marketing and promotion programs. Marketing Fund Contributions will not be used for the direct solicitation of franchise sales, but Franchisor or its designee (currently, Advertising Agency) reserves the right to include a notation in any advertisement indicating "Franchises Available".

(c) Franchisor or its designee (currently, Advertising Agency) shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during the fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

(d) Although the Marketing Fund is intended to be of perpetual duration, Franchisor or its designee (currently, Advertising Agency) has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

(e) Each HAND AND STONE franchise operated by Franchisor, or an Affiliate of Franchisor, shall make Marketing Fund Contributions at the same rate as HAND AND STONE franchisees.

(f) An accounting of the operation of the Marketing Fund, upon request, shall be prepared annually and provided to Franchisee. Franchisor retains the right to have the Marketing Fund audited, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

(g) Franchisee acknowledges that the Marketing Fund is not a trust and neither Franchisor, the Advertising Agency or any of its other Affiliates assumes any fiduciary duty in administering the Marketing Fund.

11.4 **Internet Advertising.** Franchisee may not establish a presence on, or market using, the Internet in connection with the Franchised Business without Franchisor's prior written consent. Franchisor has established and maintains an Internet website at the uniform resource locator ("URL") www.handandstone.com that provides information about the System and the services that Franchisor and its franchisees provide. Franchisor may (but is not required to) include at the HAND AND STONE website an interior page containing information about the Franchised Business. If Franchisor includes such information on the HAND AND STONE website, Franchisor has the right to require Franchisee to prepare all or a portion of the page, at Franchisee's expense, using a template that Franchisor provides. All such information shall be subject to Franchisor's approval prior to posting. Franchisor retains the sole right to market on the Internet, including the use of websites, domain names, URL's, linking, search engines (and search engine optimization techniques), banner ads, meta-tags, marketing, auction sites, e-commerce and co-branding arrangements. Franchisee may be requested to provide content for Franchisor's Internet marketing and shall be required to follow Franchisor's intranet and Internet usage rules, policies and requirements. Franchisor retains the sole right to use the Marks on the Internet, including on websites, as domain names, directory addresses, search terms and meta-tags, and in connection with linking, marketing, co-branding and other arrangements. Franchisor retains the sole right to approve any linking to, or other use of, the HAND AND STONE website.

11.5 **Telephone Directory.** Franchisee may only advertise telephone numbers contained in Exhibit "E," attached hereto.

ARTICLE 12

ACCOUNTING, RECORDS, TECHNOLOGY AND REPORTING OBLIGATIONS

12.1 **Records.** During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for five (5) years thereafter, all books and records related to the Franchised Business including, without limitation, enrollment records, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

12.2 **Gross Sales Reports.** Franchisee shall maintain an accurate record of Gross Sales and shall deliver to Franchisor a signed and verified statement of Gross Sales ("Gross Sales Report") or such electronic version as Franchisor may designate, for the week ending each Saturday in a form that Franchisor approves or provides in the Manual. The Gross Sales Report for the preceding week must be provided to Franchisor by the close of business on Tuesday of each week as provided in Section 3.2.

12.3 **Financial Statements.** Franchisee shall supply to Franchisor on or before the fifteenth (15th) day of each month, in a form approved by Franchisor, a balance sheet as of the end of the last day of the preceding month and an income statement for the preceding month and the fiscal year-to-date. Franchisee shall, at its expense, submit to Franchisor within one hundred twenty (120) days after the end of each fiscal year, an income statement for the fiscal year just ended and a balance sheet as of the last day of the fiscal year. Such financial statements shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis. If required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Manual or otherwise in writing.

12.4 **Other Reports.** Franchisee shall submit to Franchisor copies of all state sales tax returns that are required to be filed with the appropriate governmental agency and such other records as Franchisor may reasonably request from time to time or as specified in the Manual. Franchisor shall have the right to

release financial and operational information relating to the Franchised Business to Franchisor's lenders or prospective lenders. Franchisee shall certify as true and correct all reports to be submitted pursuant to this Agreement.

12.5 Computer Systems and Connectivity. Franchisee shall purchase, install and use computers, mobile devices, internet accessibility equipment, network componentry, a franchise relationship management system and a point-of-sale system consisting of hardware and software in accordance with Franchisor's specifications and to ensure compatibility and support with any vendor's supported operating systems and applications, and shall upgrade such systems in accordance with Franchisor's requirements in order to use the System (hereinafter "Hand and Stone Technology"). This includes taking all reasonable steps, including but not limited to those related to visibility and management of the Franchised Business's network, that are necessary to ensure that the Franchised Business is compliant with all Payment Card Industry Data Security Standards (PCI DSS) requirements, as such standards may be revised and modified by the PCI Security Standards Council (see www.pcisecuritystandards.org). Utilizing all reasonable means, Franchisee shall use Hand and Stone Technology approved vendors for network security. Franchisor shall have full access to all of Franchisee's computer and point-of-sale data and systems and all related information by means of direct access without notification, either in person or by telephone, modem or Internet to permit Franchisor to verify Franchisee's compliance with its obligations under this Agreement. There are no limits to our access to your computer system and we may use such customer data or information for any business purpose.

Franchisee shall pay an initial fee of TWO THOUSAND FIVE HUNDRED DOLLARS (\$2,500.00) for connection to the Hand and Stone Technology (hereinafter "Connectivity Fee"). The Connectivity Fee shall be paid at the time of the Initial Franchise Fee and is not refundable. Franchisor shall establish accounts and connectivity for Franchisee to the handandstone.com website, on-site connectivity of computer equipment to the System, connectivity to Hand and Stone online training programs, and connectivity to Hand and Stone consumer feedback platforms.

Franchisee must pay an ongoing monthly POS subscription and support services fee for the software to Franchisor, currently \$691 per month and \$35 per month for cyber insurance, which is subject to change. Franchisor will provide the software support and maintenance in conjunction with the software vendor. Franchisee must execute the sublicense agreement attached as Exhibit "J". If Franchisor's collects this fee directly, the fee must be paid as described in Section 3.6 of this Agreement, or as Franchisor otherwise sets forth in writing. Franchisor reserves the right to change the manner, scope, or manner of payment of the fee described in this Section, at any time upon providing reasonable notice to Franchisee, as changes are made to the System's hardware, software and other computer requirements or as required by the third-party service provider(s) or by any regulatory agency.

12.6 Right to Inspect. Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of eighteen percent (18%) per annum (or the highest rate allowed by law, whichever is lower). If the audit or any other inspection should reveal an underpayment of three percent (3%) or more of the amount due for any period covered by the audit, Franchisee shall, in addition to any other payments required above, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

12.7 Release of Records. At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting professionals, to release to Franchisor all accounting and financial

records arising from or relating to the operation of the Franchised Business including, but not limited to, records evidencing Gross Sales, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

12.8 **Accounting Firm.** To ensure that Franchisee has accurate financial records and reporting, during the first year of the term of this Agreement, Franchisor requires Franchisee to use the services of one of its designated and preferred accounting firms (the “**Accounting Firm**”). The Accounting Firm will gather weekly transactional information from the Franchised Business and enter such information into its accounting software, reconcile monthly cash and credit card activity, produce monthly financial statements for the Franchised Business, perform bank reconciliations, calculate sales taxes and prepare K-1s. Franchisee is required to pay to the Accounting Firm the Accounting Firm's then current monthly fee (the “**Accounting Fees**”) and the Accounting Fees are subject to future increases. Franchisee is required to submit financial statements in a form acceptable to Franchisor.

ARTICLE 13

STANDARDS OF OPERATIONS

13.1 **Authorized Products, Services and Suppliers.** Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality products and services to its clients. Accordingly, Franchisee shall provide or offer for use at the Franchised Business only those products, supplies, signs, equipment and other items and services that Franchisor from time to time approves (and that are not thereafter disapproved) and that comply with Franchisor's specifications and quality standards. If required by Franchisor, any such items or services shall be purchased only from “**Approved Suppliers**” that Franchisor designates or approves (which might include, or be limited to, Franchisor or an Affiliate). Any purchases by Franchisee from Franchisor or its Affiliates will be at Franchisor's or the Affiliate's then-current price in effect. Franchisee shall not offer for sale, sell or provide through the Franchised Business or from the Approved Location any products or services that Franchisor has not approved.

(a) Franchisor shall provide Franchisee, in the Manual or other written or electronic form, with a list of specifications and, if required, a list of Approved Suppliers for some or all of the supplies, signs, equipment and other approved or specified items and services, and Franchisor may from time-to-time issue revisions to such list. If Franchisor or an Affiliate is an Approved Supplier, Franchisee shall execute a standard form purchase or supply agreement for the items to be supplied by Franchisor or any Affiliate. If Franchisee desires to use any services or products that Franchisor has not approved (for services and products that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and/or samples for Franchisor to determine whether the service or product complies with its standards and specifications or whether the supplier meets its Approved Supplier criteria. Franchisee shall bear all reasonable expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty (30) days) after receiving the required information whether Franchisee may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

(b) Notwithstanding anything contrary in this Agreement, Franchisor has the right to review from time to time its approval of any items or suppliers. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

(c) Franchisor has the right to designate certain programs, products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in Section 10.4 and shall not create any rights in Franchisee to provide the same products or services.

(d) Franchisor has the right to retain volume rebates, markups and other benefits from suppliers or in connection with the furnishing of suppliers. Franchisee shall have no entitlement to or interest in any such benefits.

13.2 Membership Programs; Customer Data. Franchisee shall institute membership programs as specified in the Manual. All Customer Information of Customers who participate in such membership programs (“**Members**”) is confidential information and the property of Franchisor, and shall be used by Franchisee in strict adherence to Franchisor’s policies and procedures as stated in the Manual.

Franchisor may use the Customer Information as Franchisor deems appropriate (subject to applicable law), including sharing it with its Affiliates for cross-marketing or other purposes. Franchisee may only use Customer Information for the purpose of operating the Franchised Business to the extent permitted under this Agreement, including the Manual, during the term hereof and subject to such restrictions as Franchisor may from time to time impose and in compliance with all data privacy, security and other applicable laws. Without limiting the foregoing, Franchisee agrees to comply with applicable law in connection with its collection, storage and its use and Franchisor’s use of such Customer Information, including, if required under applicable law, obtaining consents from Customers to Franchisor’s and its Affiliates’ use of the Customer Information. Franchisee must comply with all laws and regulations relating to data protection, privacy and security, including data breach response requirements (“**Privacy Laws**”), as well as data privacy and security policies, procedures and other requirements Franchisor may periodically establish. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Franchised Business. Franchisee must fully cooperate with Franchisor and its counsel in determining the most effective way to meet Franchisor’s standards and policies pertaining to Privacy Laws within the bounds of applicable law. Franchisee is responsible for any financial losses it incurs or remedial actions that it must take as a result of breach of security or unauthorized access to Customer Information in Franchisee’s control or possession.

If any federal or state Privacy Law, including the California Consumer Privacy Act (“CCPA”), or as revised and when in effect, the California Consumer Privacy Rights Act (“CPRA”) Cal. Civ. Code § 1798.100, et seq., applies to the operation of the Franchised Business, whenever and to the extent Franchisee operates as a “Service Provider” under the CCPA, a “Contractor” under the CPRA, a data processor, or in a similar capacity under any federal or state Privacy Law, Franchisee represents and warrants that:

(1) Except for the purpose of operating the Franchised Business in accordance with this Agreement, including the Manual, Franchisee will not retain, use, combine or disclose any Customer Information;

(2) Franchisee will not sell, make available or otherwise disclose any Customer Information to any third party for valuable consideration or for the purpose of performing cross-context behavioral advertising;

(3) Franchisee will not retain, use, or disclose Customer Information outside of the direct business relationship between Franchisee and Franchisor;

(4) Franchisee will delete any Customer Information upon Franchisor's request unless Franchisee can prove that such request is subject to an exception under applicable law; and

(5) If Franchisee receives a Customer Information data request (e.g., a request to delete Customer Information) directly from a consumer (e.g., a California resident under the CCPA or CPRA, or a resident of another jurisdiction under other applicable Privacy Law), Franchisee shall inform Franchisor of that request within one business day and cooperate with Franchisor to ensure that the consumer receives an appropriate and timely acknowledgement and response. As an example, currently under the CCPA, an acknowledgement is typically required within 10 business days and a final response is required within 45 calendar days.

Franchisee certifies that it understands the restrictions in Paragraphs (1) – (5) of this section and will comply with them. Franchisee also acknowledges and agrees that Franchisor may modify these restrictions from time to time by written notice to Franchisee, by issuing updates to Franchisor's standards and policies pertaining to Privacy Laws, including by adding other similar restrictions that may be required under other state or federal Privacy Laws, and Franchisee agrees to comply with the same. Franchisee also agrees to execute any addenda that Franchisor may determine are required to conform this Agreement to new or changed Privacy Laws.

To the extent that Franchisee engages a third party to collect, use, sell, store, disclose, analyze, delete, modify, or to otherwise perform any processing of Customer Information for the purpose of operating the Franchised Business (a "**Subprocessor**"), Franchisee will notify Franchisor of such engagement, which shall be governed by a written contract that includes the same restrictions as in Paragraphs (1) – (5) of this section and imposes reasonable confidentiality obligations on the Subprocessor.

13.3 Appearance and Condition of the Franchised Business. Franchisee shall maintain the Franchised Business and the Approved Location in "like new" condition, subject to reasonable wear and tear, and shall repair or replace furnishings, equipment, fixtures and signage as necessary to comply with the health and safety standards and specifications of Franchisor and Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in Section 10.3.

13.4 Ownership and Management. The Franchised Business shall, at all times, be under the direct supervision of Franchisee or the Designated Manager. The Designated Manager shall devote his or her full-time efforts to the management of the day-to-day operation of the Franchised Business. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee must not engage in any business or other activities that will conflict with its obligations under this Agreement.

13.5 Days of Operation. Franchisee shall keep the Franchised Business open for business during normal business hours for HAND AND STONE franchises as specified in the Manual, subject to applicable law or the terms of the lease for the Approved Location.

13.6 Licenses and Permits. Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Franchised Business and shall operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations. Franchisee shall ensure that each of its employees has any certifications or licenses required by applicable law.

Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Franchised Business. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Franchised Business.

13.7 **Notification of Proceedings.** Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee or the Franchised Business, and of the issuance of any order, writ, injunction, award or decree that may affect the operation or financial condition of the Franchised Business not more than five (5) days after such commencement or issuance. Franchisee shall deliver to Franchisor not more than five (5) days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation. In addition, any and all consumer related complaints shall be answered by Franchisee within fifteen (15) days after receipt thereof or such shorter period of time as may be provided in the complaint. A copy of said answer shall be forwarded to Franchisor within three (3) days of the date that said answer is forwarded to the complainant. Furthermore, in the event of any bona fide dispute as to liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of tax or indebtedness in accordance with procedures of the taxing authority or applicable law; provided, however, in no event shall Franchisee permit a tax sale or seizure by levy of execution or similar writ or warrant of attachment by a creditor to occur against the premises of the Franchised Business or any improvements thereon.

13.8 **Compliance with Good Business Practices.** Franchisee acknowledges that the quality of service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Franchised Business. Franchisee shall at all times give prompt, courteous and efficient service to clients of the Franchised Business. The Franchised Business shall in all dealings with its clients, employees, vendors and the general public adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a complaint, Franchisor has the right to intervene. Franchisor has the right to terminate this Agreement for repeated violation of this Section. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in handling complaints for the Franchised Business pursuant to this Section.

13.9 **Uniforms.** Franchisee shall abide by any uniform requirements stated in the Manual. Uniforms, if required, must be purchased from an Approved Supplier, if such is designated, or if none, then a supplier who meets Franchisor's specifications and quality standards for uniforms.

13.10 **Credit Cards.** Franchisee shall, at its expense, lease or purchase the necessary equipment and/or software specified by the franchisor and shall have arrangements in place with Visa, MasterCard, Amex and such other credit card issuers as Franchisor may designate, from time to time, to enable the Franchised Business to accept such methods of payment from its clients.

13.11 **Best Efforts.** Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered through the Franchised Business. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all services and products provided as part of the System.

13.12 **Gift Cards.** Franchisee shall sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Operating Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor

regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee or another HAND AND STONE franchise. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Operating Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other HAND AND STONE franchise and for making timely payment to Franchisor, other operators of HAND AND STONE franchise, or a third-party service provider for Gift Cards issued from the Spa that are honored by Franchisor or other HAND AND STONE franchise operators.

13.13 **Telephone Numbers.** Franchisee acknowledges that all telephone numbers and directory listings for the Franchised Business are the property of Franchisor, and that Franchisor has the sole and exclusive right and authority to transfer, terminate and amend such telephone numbers and directory listings as Franchisor, in its sole discretion, deems appropriate. In the event Franchisor takes any action pursuant to this Section 13.13, the telephone company and all listing agencies, without liability to Franchisee, may accept this Agreement and the directions by or on behalf of Franchisor as conclusive of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct their amendment, termination or transfer. In addition, Franchisee shall, contemporaneously with the execution of this Agreement, sign Franchisor's then-current form of Acknowledgment of Telephone Number Ownership, attached to this Agreement as Exhibit E.

13.14 **Staffing.** Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

Franchisee acknowledges that its indemnification obligations under Section 20.3 of this Agreement extend to any lawsuit or arbitration action arising out of or related to any alleged act of intentional misconduct or negligence on the part of Franchisee, or any employee or agent of Franchisee, in which Franchisor and/or any of its past, present, and future (i) Affiliates, (ii) holders of a legal or beneficial interest in Franchisor, and (iii) officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns parents, affiliates, officers, directors, managers, employees, agents, successors or assigns are named as a defendant, and alleged to have committed any negligent acts or omissions.

ARTICLE 14

FRANCHISOR'S ADDITIONAL OPERATIONS ASSISTANCE

14.1 **General Advice and Guidance.** Franchisor shall be available to render advice, discuss problems and offer general guidance to Franchisee by telephone, e-mail, newsletters and other methods with respect to planning, opening and operating the Franchised Business. Franchisor shall not charge for this service, however, Franchisor retains the right to discontinue this service should Franchisee be deemed to be utilizing this service too frequently or in an unintended manner. Franchisor's advice or guidance to Franchisee relative to prices for products and services that, in Franchisor's judgment, constitutes good business practice is based upon the experience of Franchisor and its franchisees in operating HAND AND STONE franchises and an analysis of costs and prices charged for competitive products and services. Franchisee shall have the sole right to determine the prices to be charged by the Franchised Business.

14.2 **Periodic Visits.** Franchisor or its representative shall make periodic visits to the Franchised Business for the purposes of consultation, assistance, compliance and guidance with respect to various

aspects of the operation and management of the Franchised Business. Franchisee shall cooperate in allowing periodic visits (including unannounced visits during regular business hours) and shall allow access to the Franchised Business for periodic visits. Franchisor or its representatives who visit the Franchised Business may prepare, for the benefit of both Franchisor and Franchisee, written reports detailing any problems or concerns discovered during any such visit and outlining any required or suggested changes or improvements in the operations of the Franchised Business. A copy of any such written report may be provided to Franchisee. Franchisee shall implement any required changes or improvements in a timely manner.

14.3 **System Improvements.** Franchisor shall communicate improvements in the System to Franchisee as such improvements may be developed or acquired by Franchisor and implemented as part of the System.

14.4 **Marketing and Promotional Materials.** Franchisor, or its designee (currently, Advertising Agency) may periodically provide formats for advertising and promotional materials including ad-slicks, brochures, fliers and other materials to the Franchisee for the Franchisee to produce and use in the operation of the Franchised Business. Franchisee must honor the terms of all promotional or discount programs that Franchisor may offer to the public for System businesses, and Franchisee must comply with any pricing policies Franchisor may specify, including minimum and maximum price policies, minimum advertised price policies and unilateral price policies. Franchisee must also provide those services and other items Franchisor specifies on such terms and at such rates, including free-of-charge, as Franchisor may specify.

ARTICLE 15 **INSURANCE**

15.1 **Types and Amounts of Coverage.** At its sole expense, Franchisee shall procure within sixty (60) days of Execution of Lease and maintain in full force and effect during the term of this Agreement, the types of insurance listed below. All policies (except any workers' compensation insurance) shall expressly name Franchisor as an additional insured and all shall contain a waiver of all subrogation rights against Franchisor and its successors and assigns. No such insurance shall have a deductible or self-insured retention in excess of Five Thousand Dollars (\$5,000.00). In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure:

(a) "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

(b) workers' compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law;

(c) comprehensive General Liability Insurance, Professional Liability Insurance, and Employment Practices Liability Insurance (EPLI) against claims for bodily and personal injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or THREE MILLION DOLLARS (\$3,000,000.00) in the aggregate for Professional Liability and General Liability and a minimum liability coverage of FIVE HUNDRED

THOUSAND DOLLARS (\$500,000.00) per occurrence and in the aggregate for EPLI or, if higher, the statutory minimum limit required by state law and coverage for sexual abuse with a minimum sublimit of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000.00) per occurrence or FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) in the aggregate;

(d) automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law;

(e) cyber insurance against claims for privacy and cyber security breaches against the Franchised Business with a minimum coverage of TWO MILLION DOLLARS (\$2,000,000.00); and

(f) such insurance as necessary to provide coverage under the indemnity provisions set forth in Section 20.3.

15.2 **Future Increases.** Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

15.3 **Carrier Standards and Group Policies.** Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an “A” Rating Classification as indicated in the latest issue of A.M. Best’s Key Rating Guide. As may be required in the Manual, Franchisor has the right to require Franchisee’s participation in any group insurance established or approved by Franchisor for Franchisees that meets any of the requirements in Section 15.1.

15.4 **Evidence of Coverage.** Franchisee’s obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance that may be maintained by Franchisor, nor shall Franchisee’s performance of this obligation relieve it of liability under the indemnity provisions set forth in Section 20.3. Franchisee shall provide, annually, or more frequently if requested by Franchisor, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty (30) days’ prior written notice to Franchisor and shall reflect proof of payment of premiums.

15.5 **Failure to Maintain Coverage.** Should Franchisee not procure and maintain insurance coverage as required by this Agreement, or if not produced by Franchisee upon request by Franchisor, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

ARTICLE 16

DEFAULT AND TERMINATION

16.1 **Termination by Franchisor.** Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

(a) fails to establish and equip the Franchised Business pursuant to Article 5;

(b) fails to satisfactorily complete any training program pursuant to Article 8;

(c) made any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement or fails to deal honestly and fairly with the Franchisor and the public in the operation of the Franchised Business;

(d) is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or the Franchised Business;

(e) discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Manual, the Trade Secrets or any other Confidential Information;

(f) abandons, fails or refuses to actively operate the Franchised Business for five (5) or more consecutive days (unless the Franchised Business has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor or otherwise permitted under Section 5.6, fails to relocate the Franchised Business following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable in the time period set forth in Section 5.6;

(g) surrenders or transfers control of the operation of the Franchised Business without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

(h) fails to maintain the Franchised Business under the primary supervision of a Designated Manager during the one hundred eighty (180) days following the death or incapacity of Franchisee pursuant to Section 18.6;

(i) submits to Franchisor on two (2) or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than three percent (3%) for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

(j) is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for sixty (60) days or longer (unless *supersedeas* bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within sixty (60) days or is not in the process of being dismissed;

(k) misuses or makes an unauthorized use of any of the Marks or commits any other act that can reasonably be expected to impair the goodwill associated with any of the Marks;

(l) fails on two (2) or more separate occasions within any period of twelve (12) consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, Local Advertising Fees, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

(m) after receiving a notice of violation, continues to violate any health or safety law, ordinance or regulation, or operates the Franchised Business in a manner that presents a health or safety hazard to

clients, employees or the public after having received notice of such health or safety hazards from Franchisor or any governmental authority;

(n) fails to comply with any applicable law or regulation within ten (10) days after being given notice of noncompliance or fails to comply with all applicable laws and ordinances relating to the Franchised Business, including Anti-Terrorism Laws, or if Franchisee's or any of his/her owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of his/her owners otherwise violate any such law, ordinance, or regulation;

(o) repeatedly breaches this Agreement or repeatedly fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Manual, whether or not previous breaches or failures are cured;

(p) defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates; or

(q) engages in any activity exclusively reserved to Franchisor.

16.2 Termination by Franchisor Following Cure Period. Except as otherwise provided in this Article 16, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

16.2.1 within five (5) days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor; or

16.2.2 within thirty (30) days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Manual or otherwise prescribed in writing.

16.3 Reinstatement and Extension. If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

16.4 Right of Franchisor to Discontinue Services to Franchisee. If Franchisor delivers to Franchisee a notice of termination pursuant to this Article 16 in addition to Franchisor's other remedies, Franchisor and any Affiliate reserve the right to discontinue any services provided for herein or the sales of any products to Franchisee until such time as Franchisee corrects the default. Notwithstanding the foregoing, Franchisor or its designee (currently, Advertising Agency) may, in its sole discretion, suspend the placement of advertising for Franchisee, including inclusion in any Franchisor website and/or suspend or redirect Franchisee's telephone service for any telephone numbers advertised or disseminated to the public in connection with the Marks or for any other telephone numbers used in the Franchised Business if any payments due Franchisor under this Agreement or any other agreement in effect between the parties are not paid on the date upon which the payments are due. The suspension may continue until Franchisee has paid current all monies owed Franchisor. Franchisee is not relieved of any obligation to pay Local

Advertising Fees during the term of any suspension. In the event advertising is suspended, Franchisor or its designee (currently, Advertising Agency), in its sole discretion, may apply Local Advertising Fees paid during the period of suspension toward any late fees, claims, invoices or other monies owed Franchisor from Franchisee.

ARTICLE 17

RIGHTS AND DUTIES UPON EXPIRATION OR TERMINATION

17.1 **Actions to be Taken.** Except as otherwise provided herein, upon termination or expiration of the Franchise, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee shall:

(a) immediately cease to operate the Franchised Business and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

(b) cease to use the Trade Secrets and other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items that display or are associated with the Marks;

(c) upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

(d) take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities that contains the name "HAND AND STONE" or any other Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty (30) days after termination or expiration of this Agreement;

(e) pay all sums owing to Franchisor and any Affiliate, which may include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees, unpaid Royalty Fees, Marketing Fund Contributions, Local Advertising Fees, amounts owed for the purchase of products, and any other amounts due to Franchisor or any Affiliates;

(f) pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

(g) immediately return to Franchisor the Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Franchised Business (all of which are acknowledged to be Franchisor's property);

(h) if required by the applicable telephone service provider, assign all telephone listings and numbers for the Franchised Business to Franchisor and shall notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing and shall authorize transfer of same to or at the direction of Franchisor; and

(i) comply with all other applicable provisions of this Agreement applicable following termination or expiration.

17.2 Post-Termination and Non-Competition Covenants:

Franchisee acknowledges that the restrictive covenants contained in this Section and in Section 7 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

- (a) to protect the Trade Secrets and other Confidential Information of Franchisor;
- (b) to induce Franchisor to grant a Franchise to Franchisee; and
- (c) to protect Franchisor against its costs in training Franchisee and its officers, directors, executives, and Designated Managers.

17.2.1 Franchisee acknowledges and agrees that (i) the terms of the non-competition covenant set forth in this Article 17 are reasonable both in time and in scope of geographic area, (ii) Franchisee's use or enforcement of covenants similar to those described in this Article with respect to other HAND AND STONE franchisees benefits Franchisee and prevents others from unfairly competing with the Franchised Business; and (iii) Franchisee and its owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. Franchisee hereby waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Franchisee shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the applicable laws.

17.2.2 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, member, manager, shareholder, partner, owner, executive, or Designated Manager (collectively, the "Restricted Parties"), shall, for a continuous, uninterrupted period of two (2) years after the expiration, transfer, or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

- (a) own, maintain, manage, operate, be employed as an officer, director or principal of, lend money to, or provide services or assistance to, or have any interest in any Competitive Business that is located or operating (a) at the Approved Location;
- (b) within a ten (10) mile radius of the Approved Location (or within the Protected Territory, if greater), or (c) at the site of any other HAND AND STONE franchised business; or (d) within a ten (10) mile radius of the location of any other HAND AND STONE franchise in existence or under construction at the time of termination, transfer or expiration, as applicable.

Franchisee must ensure that all of its employees, officers, directors, partners, members, independent contractors and other persons associated with Franchisee or the Franchised Business who may have access to Confidential Information sign and send to Franchisor a nondisclosure agreement and, to the fullest extent permissible under applicable law, non-competition agreement incorporating the protections set forth in the sample form of Nondisclosure and Non-Competition Agreement attached as Exhibit B. Franchisee

acknowledges that it is Franchisee's obligation to ensure that such form of nondisclosure and noncompetition agreement is prepared in accordance with and is enforceable under applicable law.

17.3 Relief for Breaches of Confidentiality and Non-Competition. Franchisee acknowledges that an actual or threatened violation of the covenants contained in Article 7 of this Agreement will cause Franchisor immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Franchisee of this Agreement, and such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisor may have at law or in equity.

17.4 Unfair Competition. If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that falsely suggests or represents an association or connection with Franchisor. This Section is not intended as an approval of Franchisee's right to operate other businesses and in no way is it intended to contradict Section 17.1 or 17.2. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

17.5 Franchisor's Option to Purchase Certain Business Assets. Franchisor has the right (but not the duty), for a period of thirty (30) days after termination or expiration of this Agreement, to purchase any or all assets of the Franchised Business including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' book value, excluding any goodwill. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

17.6 Survival of Certain Provisions. All obligations of Franchisor and Franchisee that expressly or by their nature survive the expiration or termination of this Agreement shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

17.7 Liquidated Damages. Upon termination of this Agreement according to its terms and conditions, Franchisee agrees to pay to Franchisor within fifteen (15) days after the effective date of this Agreement's termination, in addition to the amounts owed hereunder, liquidated damages equal to the average monthly Royalty Fees Franchisee assessed during the twelve (12) months of operation preceding the effective date of termination multiplied by (a) thirty-six (36) (being the number of months in three (3) full years), or (b) the number of months remaining in the Agreement had it not been terminated, whichever is lower.

The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages Franchisor would incur from this Agreement's termination and the loss of cash flow from Royalty

Fees due to, among other things, the complications of determining what costs, if any, Franchisor might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties agree that this liquidated damage provision is a reasonable, good faith pre-estimate of such damages.

The liquidated damages provision only covers Franchisor's damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to Franchisor's Marks, Confidential Information, reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

ARTICLE 18

TRANSFERABILITY OF INTEREST

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

18.2 **Transfer by Franchisee to a Third Party.** The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, Franchisee may not sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Franchised Business, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be null and void and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

- (a) Franchisee has complied with the requirements set forth in Article 19;
- (b) all obligations owed to Franchisor, and all other outstanding obligations relating to the Franchised Business, are fully paid and satisfied;
- (c) Franchisee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit K, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners and employees, in their corporate and individual capacities including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is prohibited, Franchisee shall give the maximum release allowed by law;
- (d) the prospective transferee has satisfied Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the Franchised Business and prospective transferee/assignee has satisfied Franchisor's training requirements;
- (e) the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have, at Franchisor's option, executed either the then-current Franchise Agreement for new franchisees,

which may be substantially different from this Agreement, including different Royalty Fee, Marketing Fund Contribution and Local Advertising Fee rates and other material provisions, of this Agreement; provided, however, the transferee shall not be required to pay an initial franchise fee. If a new franchise agreement is executed, Franchisor has the right to limit its term to the remaining term of this Agreement;

(f) the transferee has executed a general release, in a form the same as or similar to the General Release attached to the Disclosure Document as Exhibit K, of any and all claims against Franchisor and its officers, directors, shareholders, managers, members, partners, owners and employees, in their corporate and individual capacities, with respect to any representations regarding the Franchise or the business conducted pursuant thereto or any other matter that may have been made to the transferee by Franchisee;

(g) Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

(h) Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of fifty percent (50%) of the initial franchise fee payable by all new franchisees at the time of the transfer;

(i) the transferee shall execute Franchisor's then-current Franchise Agreement for the unexpired term of this Agreement, the terms of which may have different material terms from this Agreement;

(j) the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer have been complied with or satisfied;

(k) Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor will not be liable for any representations not included in the disclosure document;

(l) Franchisee has executed and delivered to Franchisor a nondisclosure and non-competition agreement in a form the same as or similar to the standard form Nondisclosure and Non-Competition Agreement attached as Exhibit B;

(m) the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in Section 8.1 prior to assuming the management of the day-to-day operation of the Franchised Business;

(n) the transferee, if not already operating a Hand and Stone Massage and Facial Spa, has paid Franchisor its then-current onsite transfer training fee (plus travel expenses);

(o) Notwithstanding the foregoing, Franchisee is not permitted to engage in a transfer to a third party during the first year of the initial term of this Agreement.

18.3 Transfer to a Controlled Entity. If Franchisee wishes to transfer this Agreement or any interest herein to a corporation, limited liability company or other legal entity that is entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity was formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements subject to applicable state law:

(a) the Controlled Entity is newly organized, and its charter provides that its activities are confined exclusively to the operation of the Franchised Business;

(b) Franchisee owns all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

(c) all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the transferee shall be required to pay a transfer fee as required pursuant to Section 18.2;

(d) the Controlled Entity has entered into a Transfer Agreement with Franchisor, attached hereto as Exhibit C, expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Franchised Business. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

(e) all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

(f) each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement; and

(g) copies of the Controlled Entity's articles of incorporation, bylaws, operating agreement, and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption.

The term of the transferred franchise shall be the unexpired term of this Agreement, including all renewal rights, subject to any and all conditions applicable to such renewal rights.

Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Franchised Business, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand compliance with the terms of this Agreement.

18.4 Franchisor's Disclosure to Transferee. Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Franchised Business or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Franchised Business by an intended transferee identified by Franchisee.

18.5 For-Sale Advertising. Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Franchised Business, or in any communication media, any form of advertising relating to the sale of the Franchised Business or the rights granted hereunder.

18.6 **Transfer by Death or Incapacity.** Upon the death or incapacity (as determined by a court of competent jurisdiction) of any individual Franchisee, the appropriate representative of such person (whether administrator, personal representative or trustee) will, within a reasonable time not exceeding one hundred eighty (180) days following such event, transfer such individual's interest in the Franchised Business or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement. During such one hundred eighty (180) day period, the Franchised Business must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

ARTICLE 19

RIGHT OF FIRST REFUSAL

19.1 **Submission of Offer.** If Franchisee, or any of its owners, proposes to sell the Franchised Business (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

19.2 **Franchisor's Right to Purchase.** Franchisor shall, for sixty (60) days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash or cash equivalents for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to one hundred twenty (120) days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal. For the avoidance of doubt, Franchisor may assign its right of first refusal to an Affiliate or third-party designee who shall have the same rights to the right of first refusal as Franchisor.

19.3 **Non-Exercise of Right of First Refusal.** If Franchisor does not exercise this right of first refusal within sixty (60) days, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by Section 18.2 and the other terms and conditions of Section 18. Should the sale fail to close within one hundred twenty (120) days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

ARTICLE 20

RELATIONSHIP AND INDEMNIFICATION

20.1 **Relationship.** This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner, employee, servant or independent contractor of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an

independent owner of the Franchised Business operating the Franchised Business pursuant to a franchise from Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt or any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Franchised Business. Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractor, nor vice versa. Any third-party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

20.2 Standard of Care. This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

20.3 Indemnification To the fullest extent permissible under applicable law, Franchisee shall defend, hold harmless, and indemnify Franchisor, and all of its past, present, and future (i) Affiliates, (ii) holders of a legal or beneficial interest in Franchisor, and (iii) officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) (collectively, "**Losses**") incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arises from or is based upon Franchisee's (a) ownership or operation of the Franchised Business; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with Franchisee's ownership or operation of the Franchised Business, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Confidential Information; (g) infringement, violation or alleged infringement or violation of any patent, trademark or copyright or other rights controlled by third parties; (h) latent or other defects in the Franchised Business whether or not discoverable by Franchisor or Franchisee; or (i) any services or products provided by any affiliated or non-affiliated participating entity.

It is the intention of the parties to this Agreement that Franchisor shall not be deemed a joint employer with Franchisee for any reason; however, Franchisee will, at its sole expense, defend, fully protect, indemnify and hold harmless, Franchisor Indemnitees, from any and all Losses arising in any manner, directly or indirectly, out of or in connection with or incidental to the actions or omissions of Franchisee's employees or independent contractors or allegations that Franchisor is the joint employer of Franchisee's employees. This indemnification obligation includes without limitation, Losses alleged to have been caused by the Franchisor Indemnitees' negligence, but excludes Losses that are determined, in a final, unappealable ruling issued by a court or arbitrator with competent jurisdiction, to be caused solely by the Franchisor Indemnitees' negligence or willful misconduct. Notwithstanding the foregoing, where joint liability is alleged against Franchisee and any of the Franchisor Indemnitees, this indemnification obligation shall extend only to any finding of comparative or contributory negligence attributable to Franchisee.

20.4 Right to Retain Counsel. Franchisor shall give Franchisee immediate notice of any such action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification

by a Franchisor Indemnitee. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. Franchisee shall cooperate with Franchisor in its handling of any such action, suit, demand, claim, investigation or proceeding. If Franchisor's exercise of its rights under this Section causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

20.5 **Indemnification for Use of Marks.** Franchisor agrees to indemnify and hold Franchisee harmless for all damages and expenses it may incur in any trademark infringement proceeding disputing Franchisee's authorized use of any Mark under this Agreement; provided Franchisee has timely notified Franchisor of the proceeding, has used the Mark in full compliance with Franchisor's standards and specification, and complies with Franchisor's directions in responding to the proceeding. At Franchisor's option, Franchisor may defend and control the defense of any proceeding relating to any Mark; provided Franchisor may not settle any such dispute without Franchisee's prior written consent unless, in connection with such settlement, Franchisee shall not be obligated to pay any amounts in settlement and Franchisee receives a general release of all claims.

ARTICLE 21

GENERAL CONDITIONS AND PROVISIONS

21.1 **No Waiver.** No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

21.2 **Injunctive Relief.** As any breach by Franchisee of any of the restrictions contained in Sections 6, 7, 9 and 17 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction), without posting a bond, against any such breach, whether actual or contemplated.

21.3 **Notices.** All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two (2) business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five (5) business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section 21.3. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

Hand and Stone Franchise LLC
Attn: President
1210 Northbrook Drive
Suite 150
Trevose, PA 19053

With a copy to: Greenberg Traurig, LLP
Attn: David W. Oppenheim
500 Campus Drive, Suite 400
Florham Park, NJ 07932

21.4 **Approvals.** Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.5 **Entire Agreement.** This Agreement, its exhibits and the documents referred to herein shall be construed together and constitute the entire, full and complete agreement between Franchisor and Franchisee concerning the subject matter hereof and shall supersede all prior agreements; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor. No other representation, oral or otherwise, has induced Franchisee to execute this Agreement, and there are no representations (other than those within Franchisor's HAND AND STONE Disclosure Document), inducements, promises or agreements, oral or otherwise, between the parties not embodied herein, that are of any force or effect with respect to the matters set forth in or contemplated by this Agreement or otherwise. No amendment, change or variance from this Agreement shall be binding on either party unless executed in writing by both parties.

21.6 **Severability and Modification.** Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

Notwithstanding the above, each of the covenants contained in Sections 7 and 17 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets and other Confidential Information or on competition to the maximum extent provided or permitted by law.

21.7 **Construction.** All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

21.8 **Force Majeure.** Whenever a period of time is provided in this Agreement for either party to perform any act, except for Franchisee's payment of monies to Franchisor, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, global health pandemics, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an extension of the term of this Agreement.

21.9 **Timing.** Time is of the essence; except as set forth in Section 21.8, failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

21.10 **Withholding Payments.** Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

21.11 **Further Assurances.** Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

21.12 **Third-Party Beneficiaries.** Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

21.13 **Multiple Originals.** Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

21.14 **Compliance with Anti-Terrorism Laws.** Franchisee and its owners agree to comply, and to assist Franchisor to the fullest extent possible in its efforts to comply with Anti-Terrorism Laws (defined below). In connection with that compliance, Franchisee and its owners certify, represent, and warrant that none of Franchisee's property or interests is subject to being blocked under, and that Franchisee and its owners otherwise are not in violation of, any of the Anti-Terrorism Laws. "Anti-Terrorism Laws" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee or its owners, or any blocking of Franchisee or its owners' assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.

ARTICLE 22

DISPUTE RESOLUTION

22.1 **Choice of Law.** Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania (without reference to its conflict of laws

principles). The Federal Arbitration Act shall govern all matters subject to arbitration. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

22.2 **Cumulative Rights and Remedies.** No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

22.3 **Limitations of Claims.** Any claim concerning the Franchised Business or this Agreement or any related agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Franchisee knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

22.4 **Limitation of Damages.** Except as set forth in Section 17.7 of this Agreement, each party hereto waives, to the fullest extent permitted by law, any right or claim for any punitive or exemplary damages against the other and agree that if there is a dispute with the other, each will be limited to the recovery of actual damages sustained by it including reasonable accounting and legal fees. Franchisee waives and disclaims any right to consequential damages in any action or claim against Franchisor concerning this Agreement or any related agreement. In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fee payments.

22.5 **Waiver of Jury Trial.** FRANCHISEE AND FRANCHISOR EACH IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, WHETHER AT LAW OR EQUITY, BROUGHT BY EITHER OF THEM.

22.6 **Non-Binding Mediation.** At Franchisor's option, all claims or disputes between Franchisee and Franchisor or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, must be submitted first to mediation, in Philadelphia, Pennsylvania, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any arbitration action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. Franchisee may not commence an arbitration action against Franchisor or its affiliates with respect to any such claim or dispute unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce its rights to mediation, as set forth under this Agreement. Each party shall bear its own cost of mediation. The mediator's fee shall be shared equally by the parties. Submission of a dispute to Non-Binding Mediation shall not toll or extend any statute of limitations or the Limitation of Claims period specified above.

22.7 **Binding Arbitration.** Except for claims of a breach of this Agreement by Franchisee of any of the Sections identified in Section 21.2 of this Agreement to which Franchisor shall have the right to

injunctive relief from any court of competent jurisdiction in addition to all other available relief at law and in equity, if the parties have not resolved their dispute via non-binding mediation pursuant to Section 22.6 hereof, the dispute, including any disputes regarding the validity and scope of the arbitration obligations under this Section 22.7, which the parties acknowledge is to be determined by an arbitrator and not a court, shall be submitted to arbitration which shall be binding on the parties hereto. The following shall supplement and, in the event of a conflict, shall govern any arbitration: If the claim is for less than \$50,000 then the matter shall be heard before a single arbitrator selected from the AAA list of arbitrators. If the claim, or a counterclaim, is for \$50,000 or more, the matter shall be heard before a panel of three (3) arbitrators and each party shall appoint its own arbitrator, and the appointed arbitrators shall appoint a “neutral” arbitrator who shall be a member of the American Bar Association’s Forum on Franchising in good standing for at least five (5) years. Each party must bear its own costs of arbitration including the fee for their respective arbitrator, provided, however, that the neutral or the single arbitrator's fee shall be shared equally by the parties. The Arbitrator shall apply the substantive law of Pennsylvania. Unless the parties to the arbitration agree otherwise, the arbitration proceeding shall take place in Philadelphia, Pennsylvania. The arbitrators will be bound to the Federal Rules of Evidence and Discovery and shall be governed by the Federal Rules of Civil Procedure. The arbitrators shall have no authority to determine class action claims or other consolidated claims and shall have no authority to amend or modify the terms of the Agreement. To the extent permitted by applicable law, no issue of fact or law shall be given preclusive or collateral estoppel effect in any arbitration, except to the extent such issue may have been determined in another proceeding between the parties. Judicial review of the Arbitrator’s award may be sought only upon the grounds of fraud, corruption, misconduct or erroneous conclusions of law. Judgment upon the award of the arbitrator shall be submitted for confirmation to the United States District Court for the Eastern District of Pennsylvania and, if confirmed, may be subsequently entered in any court having competent jurisdiction. This agreement to arbitrate shall survive any termination or expiration of this Agreement. Service of the Petition to Confirm Arbitration and the written notice of the time and place of hearing on the Petition to Confirm the Award of the Arbitrator shall be made in the same manner provided in Section 21.3 with respect to all notices. This agreement to arbitrate shall survive any termination or expiration of this Agreement.

22.8 **Attorneys’ Fees.** Franchisee must pay all reasonable attorneys’ fees, court costs and expenses Franchisor incurs whether or not formal arbitration or judicial proceedings are initiated by Franchisor against Franchisee for a breach of any monetary or non-monetary material obligation under this Agreement. If Franchisee institutes any arbitration or legal action against Franchisor to interpret or enforce the terms of this Agreement, and Franchisee’s claims in such an action are denied or the action is dismissed, Franchisor is entitled to recover its reasonable attorneys’ fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

ARTICLE 23

ACKNOWLEDGMENTS

23.1 **Receipt of the Disclosure Document/Disclaimer.** FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED, READ AND UNDERSTANDS THIS AGREEMENT AND FRANCHISOR’S DISCLOSURE DOCUMENT; AND THAT FRANCHISOR HAS ACCORDED FRANCHISEE AMPLE TIME AND OPPORTUNITY TO CONSULT WITH ADVISORS OF ITS OWN CHOOSING ABOUT THE POTENTIAL BENEFITS AND RISKS OF ENTERING INTO THIS AGREEMENT. FRANCHISEE REPRESENTS AND ACKNOWLEDGES THAT IT HAS RECEIVED, AT LEAST FOURTEEN (14) CALENDAR DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT WAS EXECUTED, THE DISCLOSURE DOCUMENT REQUIRED BY THE TRADE REGULATION RULE OF THE FEDERAL TRADE COMMISSION ENTITLED DISCLOSURE REQUIREMENTS AND PROHIBITIONS CONCERNING FRANCHISING AND BUSINESS OPPORTUNITY VENTURES. Franchisee acknowledges that neither Franchisor nor anyone on its behalf

has made any claim, representation, warranty, promise or guarantee, whether in this Agreement or otherwise, orally or in writing, with respect to the actual or potential sales, costs, income or profits of any franchise.

23.2 **Representations of Franchisee.** Franchisee represents and warrants to Franchisor the following, with the knowledge that Franchisor is materially relying upon the truth, accuracy and completeness of such representations and warranties in entering into this Agreement:

(a) All information contained in Franchisee's application or in any document submitted in connection therewith by or on behalf of Franchisee is true, accurate and complete in all material respects including, without limitation, all information pertaining to the credit history, employment history, prior business experience, reputation and financial condition of Franchisee, its owners and operators.

(b) The execution, delivery and performance by Franchisee of this Agreement and the transactions contemplated hereby do not and will not conflict with or result in, with or without the giving of notice or lapse of time or both, any violation of or constitute a breach or default, or give rise to any right of acceleration, payment, amendment, cancellation or termination under (a) any mortgage, indenture, lease, contract or other agreement to which Franchisee is a party or by which Franchisee or any of its properties or assets is bound or subject, or (b) any law or order to which Franchisee is bound or subject.

(c) There are no judgments outstanding against Franchisee or any principal of Franchisee or any operator of the Franchised Business, and there are no lawsuits, arbitrations or claims pending or, to Franchisee's knowledge, threatened against any of the foregoing.

23.3 **Consultation by Franchisee.** Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

23.4 **True and Accurate Information.** Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all material respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

23.5 **Risk.** Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a HAND AND STONE franchise involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, in this Agreement or otherwise, as to the potential success of the business venture contemplated hereby.

23.6 **No Guarantee of Success.** Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Franchised Business. Franchisee represents and acknowledges that there have been no representations by Franchisor's directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Disclosure Document or this Agreement.

23.7 **No Violation of Other Agreements.** Franchisee represents that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party.

23.8 **Release of Prior Claims.** By signing this Agreement, Franchisee individually, and on behalf of Franchisee's heirs, legal representatives, successors and assigns, and each assignee of this Agreement by accepting assignment of the same, hereby forever releases and discharges Franchisor and its officers, directors, employees, agents and servants, including Franchisor's subsidiary and affiliated corporations, their respective officers, directors, employees, agents and servants, from any and all claims relating to or arising under any franchise agreement between the parties executed prior to the date of this Agreement including but not limited to, any and all claims, whether presently known or unknown, suspected or unsuspected, arising under the franchise, securities or antitrust laws of the United States or of any State thereof.

23.9 **Franchisor's Affiliates.** Franchisee agrees that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, parent, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of Franchisor will have any liability for: (1) any obligations or liabilities of Franchisor relating to or arising from this Agreement; (2) any claim against Franchisor based on, in respect of, or by reason of the relationship between Franchisee and Franchisor; or (3) any claim against Franchisor based on any alleged unlawful act or omission of Franchisor.

ARTICLE 24

OPERATION IN THE EVENT OF ABSENCE OR DISABILITY; STEP-IN RIGHTS

24.1 **Operation in the Event of Absence or Disability.** In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Franchised Business, operate the Franchised Business for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by Franchisor shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for Franchisor's representative, shall be charged to such account. If, as herein provided, Franchisor temporarily operates the Franchised Business franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder, from any and all acts which Franchisor may perform, as regards the interests of Franchisee or third parties.

24.2 **Step-In Rights – Cause for Step-In.** If Franchisor determines in its sole judgment that the operation of Franchisee's Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her Franchised Business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the Franchised Business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due or has failed to remove any and all liens or encumbrances of every kind placed upon or against Franchisee's Franchised Business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's Franchised Business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

24.3 **Step-In Rights – Duties of Parties.** Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for Franchisor's representatives. In the event

of the exercise of the Step-In Rights by Franchisor, Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

HAND AND STONE FRANCHISE LLC:

By: _____

Name: _____

Title: _____

FRANCHISEE:

Signed: _____

Name printed: _____

EXHIBIT A TO THE FRANCHISE AGREEMENT
APPROVED LOCATION AND PROTECTED TERRITORY

DATED _____, 20____
WITH

(Name of Franchise Owner)

A. If the Approved Location of the HAND AND STONE franchise has not been determined as of the Effective Date:

1. If the Approved Location has not been determined as of the Effective Date of this Agreement, Franchisee must secure the Approved Location in accordance with the terms and conditions of the Franchise Agreement within the general area described as follows (the "Designated Area"):_____

Note: Once Franchisee secures an Approved Location within the Designated Area in accordance with the requirements set forth in the Franchise Agreement, Franchisor will issue an updated copy of this Exhibit A to reflect the Approved Location and the Protected Territory.

B. If the Approved Location of the HAND AND STONE franchise has been determined as of the Effective Date:

The Approved Location of the HAND AND STONE franchise is: _____
_____.

The Protected Territory of the HAND AND STONE franchise is: _____
_____.

The Approved Location will be listed on the Hand & Stone website, and marketing/advertising material as:

US:

YOU:

HAND AND STONE FRANCHISE LLC

By: _____
Name: _____
Title: _____
Date: _____

Signed: _____
Name Printed: _____
Date: _____

EXHIBIT B TO THE FRANCHISE AGREEMENT
NONDISCLOSURE AND NON-COMPETITION AGREEMENT

This "Agreement" made as of the ____ day of _____, 20____, by and between _____, ("Franchisee") (d/b/a a HAND AND STONE Franchise) and _____ ("Individual").

W I T N E S S E T H:

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated _____, 20____ ("Franchise Agreement") by and between Franchisee and Hand and Stone Franchise LLC ("Company"); and

WHEREAS, Franchisee desires Individual to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below; and

WHEREAS, Franchisee is required by the Franchise Agreement to have Individual execute this Agreement prior to providing Individual access to said confidential materials; and

WHEREAS, Individual understands the necessity of not disclosing any such information to any other party or using such information to compete against Company, Franchisee or any other franchisee of Company in the same or a similar business, ("Competitive Business") now or in the future.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

1. Trade Secrets and Confidential Information

Individual understands Franchisee possesses and will possess Trade Secrets and other Confidential Information that are important to its business. For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, massage therapy protocols, materials and techniques, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential clients or suppliers) related to or used in HAND AND STONE franchises that is not commonly known by or available to the public and that information: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. For the purposes of this Agreement "Confidential Information" means technical and non-technical information related to or used in HAND AND STONE franchises that is not commonly known by or available to the public, including, without limitation, Trade Secrets and any other information identified as confidential when delivered by Franchisor. Confidential Information shall not include, however, any information that: (a) is now or subsequently becomes generally available to the public through no fault of Franchisee; (b) Franchisee can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (c) is independently developed without the use of any Confidential Information; or (d) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information. Any information expressly designated by Company as "Trade Secrets" or "Confidential Information" shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Individual of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Individual understands Franchisee's providing of access to the Trade Secrets

and other Confidential Information creates a relationship of confidence and trust between Individual and Franchisee with respect to the Trade Secrets and other Confidential Information.

2. Confidentiality/Non-Disclosure

a) Individual shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets, or other Confidential Information

b) Individual's obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Individual's relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Individual's obligations under this Agreement to any future client or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Individual or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in the HAND AND STONE System.

3. Non-Competition

a) During the term of employment and for a period of two (2) years after employment, Individual shall not, directly or indirectly, carry on, be engaged in or take part in, render services to, or own or share in the earnings of any Competitive Business anywhere within: (1) ten (10) miles of the premises of Franchisee's HAND AND STONE franchise located at: _____ or (2) ten (10) miles of any HAND AND STONE MASSAGE SPA without the express written consent of Franchisee.

b) "Competitive Business" means any business: (a) that offers (or grants franchises or licenses to others to operate a business that offers) any of the following services: massage, facial, skincare, face and body contouring, face and body sculpting, waxing services, med spa services and any other spa services the same as or similar to those offered by the Franchised Business or any other HAND AND STONE franchises, or (b) any skincare products, waxing products, and any other goods that are the same or similar to those offered by the Franchised Business or any other HAND AND STONE franchises; or (c) in which Trade Secrets and other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or other HAND AND STONE franchisees; provided, however, that the term "Competitive Business" shall not apply to (a) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (b) any business operated by a publicly-held entity in which Franchisee owns less than a five percent (5%) legal or beneficial interest

4. Reasonableness of Restrictions

Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisee, Company, and Company's Trade Secrets and other Confidential Information, the System and the Marks, and Individual waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Individual shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

5. Relief for Breaches of Confidentiality and Non-Competition

Individual further acknowledges that an actual or threatened violation of the covenants contained in this Agreement will cause Franchisee and Company immediate and irreparable harm, damage and injury that cannot be fully compensated for by an award of damages or other remedies at law. Accordingly, Franchisee and Company shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Individual of this Agreement, such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Company may have at law or in equity.

6. Miscellaneous

a) This Agreement constitutes the entire Agreement between the parties with respect to the subject matter hereof, provided, however, nothing in this Agreement shall disclaim or require Franchisee to waive reliance on any representation that Franchisor made in the most recent Franchise Disclosure Document (including its exhibits and amendments) that Franchisor delivered to Franchisee or its representative. This Agreement supersedes any prior agreements, negotiations and discussions between Individual and Franchisee. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Individual shall reimburse Franchisee for any and all costs and attorneys' fees incurred by Franchisee in the enforcement of the terms of this Agreement.

c) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of Individual and shall inure to the benefit of Franchisee, its subsidiaries, successors and assigns. Company is an intended third-party beneficiary of this Agreement with the independent right to enforce the confidentiality and non-competition provisions contained herein.

d) The failure of either party to insist in any one (1) or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

e) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

f) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

INDIVIDUAL CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY, AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

IN WITNESS WHEREOF, Franchisee has hereunto caused this Agreement to be executed by its duly authorized officer, and Individual has executed this Agreement, all being done in duplicate originals with one (1) original being delivered to each party as of the day and year first above written.

WITNESS:

FRANCHISEE:

Signature: _____

Printed Name: _____

INDIVIDUAL:

Signature: _____

Printed Name: _____

**EXHIBIT C TO THE FRANCHISE AGREEMENT
ASSIGNMENT, ASSUMPTION AND CONSENT TO TRANSFER
OF FRANCHISE AGREEMENT TO
WHOLLY OWNED ENTITY**

THIS ASSIGNMENT, ASSUMPTION AND CONSENT (the "Assignment") is made and entered into as of this _____ day of _____, 20____, by and among Hand and Stone Franchise LLC, a New Jersey limited liability company, having its principal place of business at 1210 Northbrook Drive, Suite 150, Trevose, PA 19053 ("Franchisor"), and _____, an individual(s) with an address at _____ (individually or collectively "Assignor"), and _____ ("Assignee"), a _____ with an address at _____.

BACKGROUND

A. Franchisor and Assignor entered into a franchise agreement on _____ (the "Franchise Agreement"), whereby Assignor was granted the right and undertook the obligation to open and operate a Hand and Stone franchise (the "Spa") utilizing Franchisor's proprietary marks and system located at _____.

B. Assignor subsequently formed Assignee for purposes of serving as the "Franchisee" entity under the Franchise Agreement.

C. Assignor desires to assign his/her rights and obligations under the Franchise Agreement to Assignee, pursuant to and in accordance with the provisions of the Franchise Agreement.

D. Franchisor is willing to consent to the assignment of the Franchise Agreement from Assignor to Assignee, subject to the terms and conditions of this Assignment, including without limitation, Assignor's agreement to remain be personally liable under the Franchise Agreement.

AGREEMENT

In consideration of the mutual covenants contained in this Assignment, and for other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and intending to be legally bound, the parties agree as follows:

1. Subject to the provisions of this Assignment, Assignor hereby assigns and transfers over to Assignee all of Assignor's rights, obligations, title and interest in and to the Franchise Agreement, effective as of the date of this Assignment. Assignee hereby assumes all of Assignor's rights, obligations, assignments, commitments, duties and liabilities under the Franchise Agreement, and Assignee agrees to be bound by and observe and faithfully perform all of the obligations, assignments, commitments and duties of the "Franchisee" under the Franchise Agreement with the same force and effect as if the Franchise Agreement were originally written with Assignee as said "Franchisee." Franchisor hereby consents to the foregoing assignment, subject to the provisions set forth in this Assignment, and hereby waives any right to collect a transfer fee or exercise a right of first refusal in connection with this Assignment.

2. Assignor shall remain legally bound by all of the provisions of the Franchise Agreement including the restrictive covenants contained in Articles 7 and 17 and personally liable in all respects under the Franchise Agreement. Assignor, jointly and severally, personally guarantees all of Assignee's obligations set forth in the Franchise Agreement.

3. Assignor and Assignee represent and warrant that Assignor is the sole and exclusive owners of Assignee. Assignor agrees not to transfer any stock in the Corporation or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____ between _____ and Hand and Stone Franchise LLC”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _ _ between _____ and Hand and Stone Franchise LLC”

4. _____ shall devote his/her best efforts to the day-to-day operation and development of the Spa.

5. This Assignment and the Franchise Agreement constitute the entire integrated agreement of the parties with respect to the subject matter contained herein, and may not be subject to any modification without the written consent of the parties. Except as modified by this Assignment, all terms and conditions of the Franchise Agreement are hereby ratified and confirmed by the parties.

WITNESS:

ASSIGNOR:

ATTEST:

ASSIGNEE:

By: _____ (SEAL)
Name: _____
Title: _____

In consideration of the execution of the above Agreement, Hand and Stone Franchise LLC hereby consents to the above referred to assignment on this _____ day of _____, 20__.

HAND AND STONE FRANCHISE LLC

By: _____
Name: _____
Title: _____

EXHIBIT D TO THE FRANCHISE AGREEMENT
FRANCHISE ADDENDUM TO LEASE AGREEMENT

THIS FRANCHISE ADDENDUM TO LEASE AGREEMENT (this “Addendum”) is entered into this _____ day of _____, 20____, by and between _____, a(n)_____ (“Landlord”) and _____, a(n)_____ (“Tenant”) for the benefit of Hand and Stone Franchise LLC (“Franchisor”).

WHEREAS, Tenant and Franchisor have executed a Franchise Agreement (the “Franchise Agreement”), pursuant to which Franchisor has granted Tenant the right to establish and operate a HAND AND STONE MASSAGE AND FACIAL SPA franchise at the following location: _____ (the “Premises”);

WHEREAS, Tenant and Landlord are entering into a lease agreement (the “Lease”), pursuant to which Tenant will lease the Premises from Landlord; and

WHEREAS, Franchisor has required Tenant to include certain terms in the Lease in order to protect Franchisor’s rights, and Landlord has agreed to such terms.

NOW, THEREFORE, for good and valuable consideration, the receipt of which the parties hereby acknowledge, Landlord and Tenant agree as follows:

1. Landlord agrees to: (a) make commercially reasonable efforts to furnish to Franchisor a copy of any default notice served on Tenant and/or another lessee under the Lease simultaneously with the service of the notice to Tenant and/or such other lessee; (b) provide Franchisor with notice of any proposed renewals, extensions, modifications and amendments to the Lease; (c) give Franchisor the opportunity, but Franchisor shall not be required, to cure any default by Tenant or other lessee under the Lease within fifteen (15) days following the expiration of any applicable cure period if Tenant and/or such other lessee fail to cure such default; and (d) to furnish to Franchisor, at Franchisor’s request, a copy of any sales or operating information for the Premises provided by Tenant. All notices to Franchisor shall be sent to the following address: Hand and Stone Franchise LLC, Attn: President, 1210 Northbrook Drive, Suite 150, Trevose, PA 19053, unless Landlord is notified otherwise in writing by Franchisor. No notice to Tenant shall be effective unless and until a copy thereof is served upon Franchisor.

2. Landlord agrees that if Franchisor exercises its right to cure a default by Tenant or upon termination (for any reason) or expiration of the Franchise Agreement, then Franchisor may, at its option, (i) succeed to Tenant’s interests under the Lease, (ii) direct the assignment of the Lease to an entity owned or controlled by Franchisor, or (iii) direct the assignment of the Lease to an independent third-party franchisee of Franchisor upon obtaining Landlord’s written consent, which consent may not be unreasonably withheld, conditioned or delayed. If Franchisor exercises its right under this Section, Franchisor or its assignee shall be recognized by Landlord as the lessee thereunder for the remaining term of the Lease. No assignment fee shall be required for Franchisor or its affiliate succeeding to Tenant’s interest under the Lease. However, any assignment to another franchisee under subsection (iii), above, shall be subject to a transfer or assignment fee if required under the Lease. No assignment of the Lease will be subject to a rent acceleration provision in the Lease.

3. Landlord agrees that, upon expiration or termination of the Franchise Agreement, Franchisor shall have the right to enter the Premises to make any modifications or alterations necessary in Franchisor’s sole discretion to protect its franchise system, trademarks, trade names, trade dress and other

intellectual property (including, removing any trade fixtures, interior or exterior signs or other items bearing its trademarks) without being guilty of trespass or any other tort or crime, provided that Franchisor will be responsible for the cost of repairing any damage to the Premises as a result of any modifications or alterations. Landlord agrees upon the expiration or termination of the Franchise Agreement to relinquish to Franchisor any and all liens or other ownership interests, whether by operation of law or otherwise, in and to any tangible property bearing Franchisor's trademarks, service marks or trade dress.

4 Upon Franchisor's delivery to Landlord and Tenant of its election to exercise its rights under this Addendum, Franchisor (or its designee) shall be entitled to all of Tenant's rights and interests in the Lease, as if Franchisor (or its designee) were the tenant under the Lease, including, by way of example and not limitation, the right to exercise any and all renewal options thereunder, without the need for any further action or instrument.

5. Landlord and Tenant expressly agree that Franchisor is an intended third-party beneficiary of the terms of this Addendum. Landlord and Tenant further agree that Franchisor has no liability or obligation under the Lease unless and until Franchisor exercises its right to assume the Lease under this Addendum.

6. In the event of any inconsistency between the terms of this Addendum and the terms of the Lease, the terms of this Addendum control. All of the terms of this Addendum, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns. The provisions of this Addendum may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Addendum that makes specific reference to this Addendum and which must be approved in writing by Franchisor. This Addendum may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument.

LANDLORD:

TENANT:

_____,
,
a _____

a _____

By: _____
Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

EXHIBIT E TO THE FRANCHISE AGREEMENT
ACKNOWLEDGMENT OF TELEPHONE NUMBER OWNERSHIP

This will acknowledge that all telephone numbers relative to that certain Hand and Stone Franchised Business franchised to _____ (“Franchisee”) by Hand and Stone Franchise LLC (“Franchisor”) pursuant to a Franchise Agreement of even date herewith (“Franchise Agreement”), whether such telephone numbers now exist or are added during the term of the Franchise Agreement and including any “rollover” telephone numbers, are solely the property of the Franchisor. Such telephone numbers may be used by Franchisee at the Franchised Business, subject to the terms of the Franchise Agreement, specifically including the following numbers:

Franchisee hereby acknowledges that any telephone numbers used at Franchisee’s Franchised Business shall appear under the Franchisor’s Marks (as defined in the Franchise Agreement) in telephone directory listings, advertising and yellow pages advertising.

Franchisee hereby grants to Franchisor the irrevocable right to have any such telephone numbers removed, transferred or suspended from the approved location of the Franchised Business in accordance with the terms of the Franchise Agreement, or in the event of the termination, expiration, rejection or rescission of the Franchise Agreement for any reason whatsoever.

Franchisee acknowledges and understands that, because Franchisor is the owner of all telephone numbers related to the Franchised Business, Franchisee may not and shall not make any service order changes to such telephone numbers, including, but not limited to, change of authorized parties, change of local or long-distance providers, or termination or transfer of the telephone numbers, and that any such change or attempted change to the account shall be null and void and of no effect.

Franchisee further acknowledges that it is the billing party related to the telephone numbers, and as such Franchisee shall at all times ensure that any bills provided to Franchisee by the telephone service provider are paid promptly and that there are no outstanding balances due related to the telephone numbers.

IN WITNESS WHEREOF, the parties hereto have executed this Acknowledgment this _____ day of _____, 202__.

FRANCHISEE:

By: _____
Name: _____

FRANCHISOR

HAND AND STONE FRANCHISE LLC

By: _____
Name: _____
Title: _____

EXHIBIT F TO THE FRANCHISE AGREEMENT
ACH AGREEMENT

AUTHORIZATION AGREEMENT FOR
ELECTRONIC PAPERLESS CHECK DEBIT

COMPANY NAME: _____

COMPANY TAXPAYER ID NUMBER: _____

I HEREBY AUTHORIZE **HAND AND STONE FRANCHISE LLC** TO AUTOMATICALLY DEBIT THE FOLLOWING CHECKING ACCOUNT ON A WEEKLY BASIS FOR ROYALTIES, MARKETING, LOCAL ADVERTISING, EQUIPMENT, COMPUTER SOFTWARE SUPPORT FEE OR ANY OTHER AMOUNTS DUE TO HAND AND STONE FRANCHISE LLC SO LONG AS MY FRANCHISE AGREEMENT IS IN EFFECT. DEBITS FOR THIS AGREEMENT WILL BE FROM _____ (Date of Franchise Agreement) FORWARD:

FINANCIAL INSTITUTION: _____

BRANCH: _____ CITY: _____ STATE: _____

TRANSIT/ABA NO.: _____ ACCOUNT # _____

ENCLOSED IS A VOIDED CHECK FROM THE ACCOUNT I DESIGNATE FOR DEBIT

DATED: _____, 20__

Signature

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF ACTIVE FRANCHISE OWNERS – 12/31/2024

State / Province	City	Address	Zip / Postal Code	Owner(s)	Phone
Alabama	Gulf Shores	3800 Gulf Shores Parkway Suite 400	36542	Jeff Hoover	(251) 283-0800
Alabama	Huntsville	935 Bob Wallace Avenue Suite 105	35801	Ayesha and Niru Patel	(256) 384-1178
Alabama	Madison	8334A Highway 72 W.	35758	Niru and Ayesha Patel	(256) 850-1099
Alabama	Mobile	1225 Satchel Paige Drive E-106	36606	Jill and Adam Johnson	(251) 263-0095
Alabama	Spanish Fort	10200 Eastern Shore Blvd. Suite 500	36527	Jill Johnson	(251) 244-6499
Alabama	Vestavia Hills	716 Montgomery Highway #108	35216	Caroline and John Goldasich	(205) 588-0613
Arizona	Anthem	39504 N. Daisy Mountain Dr.	85086	David Mantione and Tara Mantione	(623) 551-6602
Arizona	Chandler	2925 South Alma School Road Suite 6	85286	Jeff Flannery	(480) 665-5600
Arizona	Gilbert	2765 S. Market Street Suite 101	85295	Anita Rogers	(480) 237-4496
Arizona	Glendale	3870 W. Happy Valley Road Suite 157	85310	Jeff Flannery	(623) 200-5300
Arizona	Goodyear	1981 N Pebble Creek Parkway	85395	Jeff Flannery	(623) 934-3562
Arizona	Peoria	7381 West Bell Rd.	85382	Jeff Flannery	(623) 878-6225
Arizona	Peoria	24640 North Lake Pleasant Parkway	85383	Jesse Sadowy and Jennifer Clayton	(623) 806-8403
Arizona	Phoenix	21001 North Tatum Blvd. Suite 74-1555	85050	Beena Thattil	(480) 269-0612
Arizona	Phoenix	742 E. Glendale Avenue Suite 166	85020	Jack Snyder	(480) 841-5700
Arizona	Phoenix	4940 East Ray Road	85044	Jeff Flannery	(480) 961-0027
Arizona	Phoenix	4727 East Cactus Road	85032	Jeff Flannery	(602) 992-2268
Arizona	Queen Creek	20784 E Victoria Lane	85142	Jeff Flannery	(602) 281-8844
Arizona	Scottsdale	7620 E. Indian School Road	85251	Anita Rogers	(480) 939-5228
Arizona	Scottsdale	15233 North 87th Street	85266	Eric and Natalie Brown	(480) 991-5100
Arizona	Scottsdale	31309 N. Scottsdale Rd. Suite B-115 & B-120	85266	Mitch Brown and Skip Papanikolas	(480) 575-1000

Arizona	Surprise	13794 West Waddell Road Suite 206	85379	Steve Bhatia	(623) 399-6262
Arkansas	Bentonville	103 SW Winsted Lane Suite 15		Gwen Heim and Gina Minton	(479) 876-8004
Arkansas	Fayetteville	4301 Waterside Court		Gwen Heim and Gina Minton	(479) 521-3232
California	Alameda	2661 Blanding Avenue	94501	Jeff Flannery	(510) 523-3500
California	Brea	2549 Imperial Hwy	92821	Patrick Garrett, Cynthia Floriani and John Garrett	(714) 786-8434
California	Brentwood	5561 Lone Tree Way	94513	Jeff Flannery	(925) 626-7188
California	Cerritos	13247 South Street	90703	Jennifer and Ray Fas	(562) 375-6370
California	Chino Hills	4200 Chino Hills Parkway	91709	Irma Alt	(909) 597-9717
California	Clovis	840 Herndon Ave. Suite #105	93612	Robin and LeeAnn Prideaux	(559) 475-6680
California	Corona	1312 E Ontario Ave Ste 103		Anwar Harb	(999) 999-9999
California	Costa Mesa	223 E. 17th Street	92627	David Beser	(949) 645-4823
California	Culver City	3815 Overland Avenue	90232	Diane Geissler	(424) 226-1658
California	Danville	11 Railroad Ave.	94526	Ariel and Eliana Ben-Zeev	(925) 885-6040
California	Dublin	5294 Dublin Blvd.	94568	Sadaf Akbarzadeh	(925) 828-8500
California	Fresno	80 El Camino	93720	LeeAnn and Robin Prideaux	(559) 573-8899
California	Huntington Beach	19732 Beach Boulevard	92648	David Beser	(714) 962-2423
California	Laguna Beach	30836 South Coast Highway	92651	David Beser	(949) 715-5567
California	Lake Forest	23708-C El Toro	92630	Catrina Tang and Shawn Fuller	(949) 503-0900
California	Pleasanton	6786 Bernal Ave	94566	Jeff Flannery	(925) 426-4772
California	Porter Ranch	19300 Rinaldi Street	91326	Henry and Sheryl Mandell	(818) 366-8866
California	Rancho Cucamonga,	8710 19th St Ste 120	91701	Anwar Harb and Diana Mohamad	(909) 941-1144
California	Rancho Santa Margarita	30652 Rancho Santa Margarita Parkway Suite F101A	92688	Bernadette and Gus Reid	(949) 713-1333
California	Riverside	6041 Magnolia Ave	92506	Habib Abbas	(951) 579-4500
California	SAN DIEGO	10755 SCRIPPS POWAY PKWY STE G		Lisa Flanders	(858) 689-1700

California	SAN MARCOS	310 S TWIN OAKS VALLEY RD STE 104		Lisa Flanders	(760) 425-4004
California	Temecula	40665 Winchester Rd Ste 3		Jabrey Eljahmi	(999) 999-9999
California	Thousand Oaks	2024 Avenida De Los Arboles	91362	Sheryl and Henry Mandell	(805) 246-1450
California	Tustin	2981 El Camino Real	92782	Catrina Tang and Shawn Fuller	(714) 505-6600
California	Visalia	4229 S. Mooney Blvd.		Rosie Dunkle	(559) 578-8849
California	Wildomar	32100 Clinton Keith Rd #D		Jabrey Eljahmi	(999) 999-9999
Colorado	Arvada	7705 Wadsworth Boulevard	80003	David Ivener	(303) 940-3300
Colorado	Aurora	24300 E. Smoky Hill Road Suite #138	80016	John Lloyd and Brian Bowen	(303) 766-2266
Colorado	Aurora	6554 S. Parker Road Suite 106	80016	Melissa and Kyle Ramstetter	(303) 400-4333
Colorado	Boulder	2525 Arapahoe Avenue	80302	Joseph and Marci Parsons	(720) 500-1200
Colorado	Castle Rock	1345 New Beale Street Suite 150	80108	Jon Martin and Chryssa Preonas	(720) 642-7000
Colorado	Colorado Springs	9673 Prominent Point Suite 130	80924	Anne and Michael Porter	(719) 358-5140
Colorado	Colorado Springs	1670 E Cheyenne Mountain Blvd Suite N2	80906	Jay Styles and Lorine Grosso	(719) 362-1033
Colorado	Colorado Springs	5262 N. Nevada Avenue		Lauren Dyste	(719) 428-0355
Colorado	Denver	1512 Larimer Street	80202	Brian Bowen, John Lloyd and Martin Steinberg	(303) 534-1005
Colorado	Denver	3333 South Tamarac Drive Unit E	80231	Erik Bostrom	(303) 337-4444
Colorado	Denver	8370 Northfield Blvd. Suite 1775	80238	Jason Levesque	(303) 574-0150
Colorado	Denver	250 Columbine Street Suite 150	80206	Jason Levesque	(303) 394-4444
Colorado	Englewood	5050 South Federal Blvd. Suite 25B	80110	Chrysse Preonas	(720) 500-0502
Colorado	Fort Collins	150 East Harmony Road 2C	80525	Melissa and Kyle Ramstetter	(970) 251-1075
Colorado	Highlands Ranch	2030A East County Line Road	80126	Erik Bostrom	(303) 586-5700
Colorado	Lakewood	14500 W. Colfax Avenue Suite 139B	80401	Erik Bostrom	(720) 805-0500
Colorado	Lakewood	7650 W. Virginia Avenue Suite B	80226	Liming Huang	(303) 232-8772

Colorado	Littleton	8246 W. Bowles Avenue Suite R	80123	Erik Bostrom	(303) 933-2006
Colorado	Parker	11120 S. Twenty Mile Rd.	80134	Melissa and Kyle Ramstetter	(303) 805-4200
Colorado	Westminster	5140 W. 120th Avenue Suite# 100	80020	Brian and Julie Bulatovic	(303) 464-1111
Connecticut	Brookfield	143 Federal Road	6804	Robert Durr	(203) 775-2244
Connecticut	Norwalk	542 Westport Avenue		Robert Tobias	(203) 803-4448
Connecticut	Orange	400 Boston Post Road		Robert Tobias	(203) 678-8088
Delaware	Bear	213 Governors Place	19701	Diana Simons	(302) 838-1011
Delaware	Middletown	401 South Ridge Avenue	19709	Diana Simons	(302) 257-5550
Delaware	Newark	302 Suburban Drive	19711	Eric Danver	(302) 444-0199
Delaware	Wilmington	4397 Kirkwood Hwy	19808	Eric Danver	(302) 633-1400
Delaware	Wilmington	3596 Concord Pike	19803	Eric Danver	(302) 478-1700
Florida	Apopka	600 Hunt Club Blvd.	32703	Tara McLain	(689) 336-4225
Florida	Boca Raton	2108 N. Federal Highway	33431	Rob and Megan Davis	(561) 500-7772
Florida	Boca Raton	7030 Beracasa Way	33433	William and Kelli Marazzi	(561) 210-9305
Florida	Brandon	11009 Causeway Boulevard	33511	James Weaver, Rene Tirado and Connie Weaver	(813) 409-3848
Florida	Brandon	855 E. Bloomingdale Avenue Suite A	33511	Marvin and Crystal Ojeda	(813) 578-7944
Florida	Clearwater	2675 Gulf To Bay Blvd. Suite 710	33759	Arlene Walker and Brenda Markland	(727) 608-1610
Florida	Coral Springs	9224 Wiles Road	33067	James Egan, Jasjot Paul Singh and Sunitee Singh	(954) 388-0779
Florida	Davenport	1333 Posner Boulevard	33837	Rob and Alicia Beers	(863) 758-2264
Florida	Davie	1829 S. University Drive	33324	James Egan	(954) 472-2288
Florida	Daytona Beach	1293 Cornerstone Blvd. Suite A	32114	David and Wendy Norman	(386) 310-0919
Florida	DeLand	2441 S. Woodland Blvd. Suite 103	32720	Amy and Brad Bradley	(386) 219-1970
Florida	Delray Beach	900 Linton Boulevard	33444	Kelli and William Marazzi	(561) 443-5520

Florida	Destin	34940 Emerald Coast Parkway	32541	Maria Williams, Jeff Sweeney and Don Williams	(850) 389-0015
Florida	Doral	8450 NW 53rd Street	33166	Bijal and Himanshu Patel	(305) 726-0221
Florida	Estero	21301 South Tamiami Trail Suite 100	33928	Tara McLain	(239) 992-0434
Florida	Fleming Island	5000 US Hwy. 17 Suite #7	32003	Tara McLain	(904) 215-7727
Florida	Fort Myers	6891 Daniels Parkway Suite 115	33966	James Egan	(239) 747-6750
Florida	Ft. Lauderdale	2384 North Federal Highway	33305	James Egan	(954) 870-7445
Florida	Gainesville	4122 NW 16th Boulevard	32605	Tara McLain	(352) 877-4510
Florida	Gibson, FL	6976 Big Bend Road Suite 101	33534	Eric Danver	(813) 944-2800
Florida	Hollywood	3307 Sheridan Street	33021	Jasjot Paul Singh and Sunitee Singh	(954) 324-4575
Florida	Jacksonville	12553 Yellow Bluff Road Suite 2	32226	Christopher Pruitt and Rosie Tillan-Pruitt	(904) 496-0242
Florida	JACKSONVILLE	9965 SAN JOSE BLVD #4		Lishell Toney	(904) 880-0050
Florida	Jacksonville Beach	1858 3rd Street South	32250	Jody Plouffe and Shailesh Patel	(904) 512-7588
Florida	Kissimmee	2645 W Osceola Parkway	34741	Rob and Alicia Beers	(407) 343-0035
Florida	Lakeland	4750 South Florida Ave	33813	James Weaver, Rene Tirado and Connie Weaver	(863) 940-4789
Florida	Melbourne	6375 North Wickham Road Suite 105	32940	Elizabeth Whitby	(321) 319-3550
Florida	Miami	2609 SW 147th Avenue	33185	Bijal and Himanshu Patel	(786) 605-5010
Florida	Miami (Kendall)	8310 Mills Drive	33183	Eric Danver	(305) 595-5262
Florida	Miami Lakes	7423 Miami Lakes Drive Suite 206	33014	Rebecca Sanches, Jennifer Sanchez, Juliana Rojas and Omar Javier	(305) 846-9424
Florida	Miami, FL-South	7301 SW 57 Court Suite 170	33143	Eric Danver	(305) 662-2222
Florida	Mount Dora	17315 US-441	32757	Amy and Brad Bradley	(352) 325-5390
Florida	Naples	4868 Davis Blvd.	34112	Kathy and Michael Hendershott	(239) 734-5587

Florida	Naples	8850 Founders Square Drive Suite 205	34120	Michael and Kathy Hendershott	(239) 306-8815
Florida	Naples	9128 Strada Place Suite 10105	34108	Tara McLain	(239) 254-0454
Florida	North Miami Beach	1602 NE Miami Gardens Drive	33179	Rebecca, Jennifer, Julia and Omar Sanchez	(786) 332-5995
Florida	Ocala	3980 SW 26th Court Suite 102	34471	Ronald and Stephanie Urton	(352) 342-9538
Florida	Orlando	7600 Dr. Phillips Blvd. Suite 18	32819	Andrew Mellen and Kirk Sorenson	(407) 321-2121
Florida	Orlando	2823 South Orange Avenue	32806	Kal Gullapalli	(407) 203-8926
Florida	Orlando	12278 Narcoossee Road Suite 104	32827	Robert and Connie Dugan	(407) 240-2772
Florida	Palm City	2710 SW Martin Downs Blvd.	34990	Elizabeth Whitby	(772) 222-6915
Florida	Palm Coast	5200 FL-100 Suite 107	32164	Pamela O'Neill	(386) 270-1200
Florida	Palm Harbor	306 East Lake Rd. S.	34685	James Weaver and Rene Tirado	(727) 565-0605
Florida	Palmetto Bay	14983 S. Dixie Hwy	33176	Eric Danver	(786) 772-0102
Florida	Panama City Beach	15600 Panama City Beach Parkway Suite 800	32413	Jeff Sweeney, Maria Williams and Don Williams	(850) 391-0764
Florida	Pembroke Pines	11910 Pines Blvd.	33026	James Egan	(954) 210-9717
Florida	Port Orange	1781 Dunlawton Avenue Suite 7	32127	Arlene Walker	(386) 261-1285
Florida	Port St. Lucie	9144 S Federal Highway	34952	Elizabeth Whitby	(772) 251-1205
Florida	Port St. Lucie	10532 SW Village Parkway	34987	Kelli and William Marazzi	(772) 303-1030
Florida	Sarasota	3800 S. Tamiami Trail Suite 27	34239	Katie and Eric Danver	(941) 702-5224
Florida	Seminole	7855 113th Street North, Suite B	33772	Doug Moore and Mark King	(727) 202-9227
Florida	Spring Hill	12372 Cortez Boulevard	34608	Valerie and Mark Gallarelli	(352) 592-6212
Florida	St. Augustine	1092 S. Ponce De Leon Blvd.	32084	Jody Plouffe and Jeff Bates	(904) 506-5571
Florida	St. Petersburg	5234 4th Street N.	33703	Mark King	(727) 522-5500
Florida	Tallahassee	3425 Thomasville Road Suite 20	32309	Tara McLain	(850) 534-4261
Florida	Tampa	12865 Citrus Plaza Drive	33625	Eric Danver	(813) 592-0010

Florida	Tampa	124 Westshore Boulevard	33609	James Weaver, Rene Tirado and Connie Weaver	(813) 287-5000
Florida	Tampa	13129 North Dale Mabry Highway	33618	Katie and Eric Danver	(813) 957-7131
Florida	Temple Terrace	8932 Bertha Palmer Blvd. Suite B	33617	Eric and Katie Danver	(813) 851-0882
Florida	The Villages	3433 Wedgewood Lane	32162	Ronald and Stephanie Urton	(352) 775-1772
Florida	The Villages	312 Heald Way	32163	Stephanie and Ronald Urton	(352) 775-1772
Florida	Trinity	8936 Strength Avenue	34655	Mark and Valerie Gallarelli	(727) 202-1233
Florida	University Park	5405 University Parkway	34201	Melissa and Russell Reisch	(941) 462-4772
Florida	Vero Beach	465 21st Street	32960	Elizabeth Whitby	(772) 494-2028
Florida	Wesley Chapel	1664 Bruce B. Downs Blvd.	33543	Eric and Katie Danver	(813) 229-8700
Florida	West Melbourne	715 Palm Bay Road Suite 103	32905	Elizabeth Whitby	(321) 345-5664
Florida	West Palm Beach	10130 Northlake Blvd. Suite 104	33412	William and Kelli Marazzi	(561) 444-0682
Florida	Weston	4454 Weston Road	33331	Jasjot Paul Singh and Suntee Singh	(954) 278-8709
Florida	Windermere	6516 Old Brick Road Suite 100	34786	Andrew Mellen and Kirk Sorenson	(407) 217-1200
Florida	Winter Garden	14230 W. Colonial Drive	34787	Andrew Mellen and Kirk Sorenson	(407) 469-7300
Florida	Winter Garden	9240 Miley Drive Suite 130	34787	Kirk Sorenson and Andrew Mellen	(407) 956-2199
Florida	Winter Haven	585 Cypress Gardens Blvd.	33880	Steven and Teri Harrison	(863) 356-3500
Florida	Winter Park	520 N. Orlando Avenue Suite B105	32789	Elizabeth Whitby	(407) 622-0227
Georgia	Alpharetta	12850 Alpharetta Hwy 9 N	30004	Sharmila and Suresh Vanukuru	(678) 940-4991
Georgia	Alpharetta	12460 Crabapple Rd, Suite 205		Terry Sharp and Duane Goodwin	(770) 740-0654
Georgia	Canton	6175 Hickory Flat Hwy, Suite 180		Travis and Deana Bohlender	(770) 345-1200
Georgia	Cartersville	123 West Main St		Marcus and Bekah Harrison	(770) 954-8822
Georgia	Chamblee	5001 Peachtree Boulevard	30341	Asif Aswani	(470) 377-5783
Georgia	Cumming	5485 Bethelview Rd, Suite 220		Kael and Tifany Leguyonne	(678) 947-4642
Georgia	Dallas	8876 Dallas Acworth Highway, Suite 124		Charlene and Alan Holder	(678) 247-8383

Georgia	Decatur	1545 Church Street Suite 320	30033	CeWyon Chandler Ward and Reginald Ward	(404) 609-0061
Georgia	Johns Creek	10945 State Bridge Rd		Duane and Julie Goodwin	(678) 624-9091
Georgia	Kennesaw	1635 Old 41 Hwy, Suite 201		Travis and Deana Bohlender	(678) 354-1161
Georgia	Loganville	2715 Loganville Hwy, Ste. 310		TiAnn Walker	(770) 559-9441
Georgia	Marietta	4475 Roswell Road Suite 1560	30062	Suresh and Sharmila Vanukuru	(770) 565-0808
Georgia	McDonough	124 South Point Blvd.	30253	Sharmila and Suresh Vanukuru	(478) 412-4700
Georgia	Peachtree City	2015 West Highway 54 Suite 111	30269	Sharmila and Suresh Vanukuru	(770) 336-6613
Georgia	Powder Springs	5100 Dallas Highway, Suite 250		Bekah and Marcus Harrison	(678) 919-9991
Georgia	Rome	94 Hicks Dr SE		Charlene and Alan Holder	(706) 530-5848
Georgia	Sandy Springs	6623 Roswell Rd Ste C		Nora Harris	(404) 236-7291
Georgia	Sandy Springs	5600 Roswell Rd Building A Suite 130	30342	Sharmila and Suresh Vanukuru	(404) 523-7800
Georgia	Smyrna	3240 South Cobb Dr		Umang Dave	(678) 424-8432
Georgia	Stonecrest	8020 Mall Parkway Suite C1070	30038	Vaughn and Cassandra Irons	(678) 500-8115
Georgia	Sugar Hill	5885 Cumming Hwy, Ste 406		Umang Dave	(678) 541-5097
Hawaii	Honolulu	1000 Auahi Street Suite I-100	96814	Michael and Celeste Barstis	(808) 633-8343
Idaho	Meridian	6097 N. Ten Mile Road	83646	Kristen and Kurt Kenyon	(208) 314-4849
Illinois	Algonquin	710 S. Randall Rd	60102	Michael and Paulina Laskosky	(847) 458-1817
Illinois	Carol Stream	792 W. Army Trail Road	60188	William Christy	(630) 289-0200
Illinois	Chicago	3210 N. Lincoln Avenue	60657	Jeff Flannery	(773) 945-0800
Illinois	Chicago	1130 South Michigan Ave. Suite B	60605	Jeff Flannery	(312) 753-3312
Illinois	Crystal Lake	6160 Northwest Highway Suite 808	60014	Daryl Johnson	(815) 301-5800
Illinois	Elmhurst	624 N. York Street Suite D	60126	Jeff Flannery	(630) 496-8181
Illinois	Geneva	1416 S. Randall Road Suite 120	60134	Michael and Kathy Hendershott	(630) 262-1900

Illinois	Hoffman Estates	2510 Sutton Road	60192	William Christy	(224) 228-3332
Illinois	Kildeer	20771 North Rand Road	60047	Michael and Paulina Laskosky	(847) 550-1870
Illinois	Mt Prospect	1052 Center Drive	60056	William Christy	(847) 718-1215
Illinois	Naperville	2911 95th Street Suite 101	60564	Kathy and Michael Hendershott	(630) 869-0450
Illinois	Naperville	2531 75th Street	60540	Kathy and Michael Hendershott	(630) 355-1252
Illinois	Northbrook	3750 Willow Road Suite B	60062	Monica and Sumit Bansal	(847) 534-8201
Illinois	Orland Park	14225 95th Avenue Suite 416	60462	Kathy and Michael Hendershott	(708) 745-3545
Illinois	Oswego	3050 US Route 34	60543	David and George Dunbar	(630) 282-7840
Illinois	Park Ridge	168 N Northwest Highway	60068	Suneela and Saj Rizvi	(847) 696-6500
Illinois	Shorewood	978 Brook Forest Ave	60404	George and David Dunbar	(815) 556-1525
Illinois	South Elgin	398 Randall Road	60177	William Christy	(630) 580-1224
Illinois	Wheaton	82 Danada Square West	60189	Kathy and Michael Hendershott	(630) 221-8700
Indiana	Avon	10409 US Route 36	46123	Kathryn and Tyler Haston	(317) 559-3240
Indiana	Carmel	14405 Clay Terrace Blvd	46032	Heather and Richard Sanchez	(317) 559-0915
Indiana	Indianapolis	8505 Keystone Crossing Suite C	46240	Richard Bunchalk and John Beggs	(317) 559-3388
Indiana	Noblesville	14165 Cabela Parkway Suite 105	46060	Richard and Heather Sanchez	(317) 660-2206
Indiana	Zionsville	11100 N. Michigan Road Suite 150	46077	Jennifer Clayton and Jesse Sadowy	(463) 252-2624
Kansas	Leawood	11725 Roe Ave. Suite C	66211	Sara and Troy Lovins	(913) 225-9341
Kansas	Olathe	20160 W. 153rd Street	66062	John Paulson and Lisa Harkin-Paulson	(913) 361-3100
Kansas	Wichita	2835 N. Maize Road Suite 189	67205	David and Teresa Geist	(316) 776-4099
Kentucky	Crescent Springs	2426 Baxter Avenue	41017	Austin Grove	(859) 446-7532
Kentucky	Lexington	4040 Finn Way Suite 130	40517	James C. Baughman, Jr.	(859) 800-8185
Maryland	Annapolis	2480 Solomon's Island Rd.	21401	Eric Danver	(410) 224-4402
Maryland	Brandywine	15904 Crain Highway Suite F	20613	Chanel Grant, Lauren Williamson and Toya Evans	(240) 348-2260
Maryland	California	45000 St. Andrews Church Rd Suite E	20619	Sharmila and Suresh Vanukuru	(240) 696-7190

Maryland	Clarksville	6030 Daybreak Circle Suite 125	21029	Minal and Bijal Patel	(240) 667-7375
Maryland	Columbia	6455 Dobbin Rd Unit 50	21045	Eric Danver	(410) 740-0977
Maryland	Frederick	5100 Buckeystown Pike Suite 154	21704	Eric Danver	(240) 656-2247
Maryland	Gaithersburg	217 Kentlands Blvd	20878	Eric Danver	(301) 527-8663
Maryland	Olney	18133 Town Center Drive	20832	Andrew Elsbury	(301) 774-2256
Maryland	Owings Mills	9934 Reisterstown Road Suite 18C	21117	Steve Sheppard	(443) 410-4521
Maryland	Prince Frederick	829 Solomons Island Road N.	20678	Sharmila and Suresh Vanukuru	(667) 321-3001
Maryland	Rockville	825 Rockville Pike Suite D	20852	Shamsh Alam	(240) 391-0700
Maryland	Severna Park	550 I Governor Ritchie Hwy	21146	Eric Danver	(410) 544-7999
Maryland	Timonium	2157 York Road Suite C	21093	Eric Danver	(443) 884-9380
Massachusetts	Bedford	168 Great Road Unit D	01730	Archana Puli, Manoj Kamavarapu, Vidyasagar Cheekati, Sri Busi, Vijaya Kasireddy and Thanooj Kamavarapu	(781) 347-2229
Massachusetts	Hudson	5 Highland Common E	07149	Barry and David Goldman	(978) 763-1233
Massachusetts	Stoneham	109 Main Street	02180	Gus Barillas	(781) 984-0525
Massachusetts	Weymouth	49 Pleasant Street	02190	Fanca and Joe Curran	(781) 331-7721
Michigan	Ann Arbor	223 N. Maple Road	48103	Clif and Traci Flowers	(734) 662-2000
Michigan	Ann Arbor	2793 Plymouth Road, Suite D		Mike and Lisa McCormick	(734) 222-1020
Michigan	Battle Creek	5568 Beckley Road Suite A		Margaret Kirk	(269) 719-8480
Michigan	Bloomfield Twp	3617 W Maple Road		Pillar Mona and Edel Denha	(248) 258-1111
Michigan	Brighton	8377 W. Grand River Avenue		Sumit and Monica Bansal	(810) 229-9095
Michigan	Canton	42142 Ford Road		John Hoose	(999) 999-9999
Michigan	Chesterfield Township	50932 Gratiot Road	48051	John Van Osdol	(586) 250-4560
Michigan	Clarkston	5880 Sashabaw Road		Andrea Rivera	(248) 625-7300
Michigan	Clinton Township	36740 Garfield Road	48035	Sumit and Monica Bansal	(999) 999-9999

Michigan	Commerce	3050 Union Lake Road, Suite 3D		John Hoose	(248) 366-4611
Michigan	Dearborn	23624 Michigan Avenue	48124	Amrieh Eljahmi	(313) 278-2200
Michigan	Farmington Hills	31215 West Fourteen Mile Road	48334	Sumit Bansal	(248) 907-1130
Michigan	Ferndale	23153 Woodward Avenue	48220	Preston, Tracy, Clif and Traci Flowers	(248) 949-1910
Michigan	Grand Blanc	6303 S. Dort Hwy		Pillar Mona and Edel Denha	(810) 694-6877
Michigan	Grand Rapids	5557 28th Street SE Suite D	49512	James and Lynelle Cook	(616) 208-9880
Michigan	Lake Orion	556 N Lapeer Road		Shan Rajurs	(248) 693-0820
Michigan	Livonia	29466 West Seven Mile Road		Sumit and Monica Bansal	(248) 987-7334
Michigan	Northville	39713 Traditions Drive Suite D-100	48167	Monica and Sumit Bansal	(248) 550-0004
Michigan	Novi	47460 Grand River Avenue		Norma Abbas Fawaz and Ali Abbas	(248) 305-9295
Michigan	Plymouth	15175 Sheldon Rd		Melissa and Kenneth Koolwick	(734) 207-1400
Michigan	Rochester Hills	2747 S Rochester Road	48307	Monica and Sumit Bansal	(248) 710-0120
Michigan	Rochester Hills	1276 Walton Blvd		Shan Rajurs	(248) 841-8996
Michigan	Shelby Township	13929 Hall Road		Mike and Kate Condon	(586) 737-0312
Michigan	St. Clair Shores	21920 Greater Mac Avenue	48080	Charles Thomas Jr, January Thomas and Charles Thomas III	(999) 999-9999
Michigan	Sterling Heights	35728 Van Dyke Road		Benjamin and Kylie Odren	(586) 883-6483
Michigan	Troy	1365 N. Coolidge Hwy.	48084	Monica and Sumit Bansal	(248) 609-9772
Michigan	Washington Township	8655 26 Mile Road	48094	Roopen Patel	(586) 992-1222
Michigan	Waterford	5134 Highland Road		Sumit and Monica Bansal	(248) 724-2670
Michigan	Woodhaven	19420 West Road Woodhaven	48183	Ali Abbas and Norma Abbas Fawaz	(734) 203-7000
Minnesota	Chanhassen	858 West 78th Street	55317	Shannon Schoettler, Jeff Widness and Jill Widness	(952) 395-3625
Minnesota	Maple Grove	11647 Fountains Drive	55369	Erik Bostrom and Ed Oursler	(763) 416-7077

Minnesota	Plymouth	3525 Vicksburg Lane N Suite 400	55447	Ed Oursler and Erik Bostrom	(763) 551-1111
Minnesota	ST. Louis Park	1671 West End Boulevard Suite 3235	55416	Cathy Meyers	(763) 591-1111
Missouri	Liberty	215 S. Stewart Road	64068	Sara and Troy Lovins	(816) 293-9660
Nebraska	Omaha	14505 W. Maple Road Suite 100	68116	Curtis and Kate Anthony	(402) 982-4440
Nebraska	Omaha	10341 Pacific Street	68114	Curtis Anthony	(402) 951-9335
Nevada	Henderson	530 Marks St. Suite 100	89014	Lisa Mascari and Wayne Crowther	(725) 257-8011
Nevada	Las Vegas	1875 Festival Plaza Drive	89135	Benedict DeGuzman	(702) 852-2550
Nevada	Las Vegas	1150 E Silverado Ranch Blvd.	89183	Lisa Mascari and Wayne Crowther	(702) 941-7833
New Hampshire	Bedford	79 S. River Road	03110	Gus and Ricardo Barillas	(603) 668-3333
New Hampshire	Portsmouth	2454 Lafayette Road	3801	Gus Barillas	(603) 677-1406
New Jersey	Aberdeen	1121 State Route 34	7747	Jef and Ken Silbert	(732) 970-7740
New Jersey	Allendale	39 West Allendale Ave.	7401	Jeff and Ken Silbert	(201) 760-0600
New Jersey	Bayonne	193 East 22nd Street	07002	Tara Bogota and Nick Marco	(201) 243-7810
New Jersey	Bedminster	416 State Highway 202/206	7921	Jesse Hinman, Ishani Sarkar and Rajib Sarkar	(908) 781-9900
New Jersey	Bordentown	274 Dunns Mill Road	08505	Irian Ruiz	(609) 496-5533
New Jersey	Brick Township	56 Chambers Bridge Road 30 Brick Plaza	08723	Nick Marco	(732) 714-6625
New Jersey	Bridgewater	363 US 202/206	8807	Jesse Hinman, Rajib Sarkar and Ishani Sarkar	(908) 382-3800
New Jersey	Chatham	640 Shunpike Road	7928	Jeff and Ken Silbert	(973) 236-1200
New Jersey	Cherry Hill	2050 Marlton Pike West	8002	Bryn and Joseph Erace	(856) 330-4170
New Jersey	Cherry Hill	606 Haddonfield Road	8003	Bryn and Joseph Erace	(856) 966-5500
New Jersey	Clark	77 Central Avenue	7066	Eric and Katie Danver	(732) 540-8047
New Jersey	Clifton	700 Route 3 Suite 10	7012	Jeff and Ken Silbert	(973) 472-2500
New Jersey	Delran	1361A Fairview Blvd.	8075	Eric Danver	(856) 764-7700

New Jersey	Denville	3130 Route 10 West	7834	Jeff and Ken Silbert	(973) 547-3600
New Jersey	Deptford	2000 Clements Bridge Rd. SPACES 109-110	8096	Cate Ruffenach	(856) 845-8888
New Jersey	East Brunswick	589 Route 18 South	8816	Eric Danver	(908) 344-5455
New Jersey	East Windsor	72 Princeton Hightstown Rd. Suite 11	08520	Eric Danver	(609) 448-3840
New Jersey	Edgewater	46 The Promenade	7020	Jeff and Ken Silbert	(201) 496-5000
New Jersey	Egg Harbor Township	6801 Blackhorse Pike Suite 301	08234	Helen and Thomas McMenamin	(609) 804-7727
New Jersey	Emerson	494 Kinderkamack Road	7630	Jeff and Ken Silbert	(201) 483-9530
New Jersey	Flanders	30 International Drive South Suite E-5	07836	Ayanna and Raymond Santos	(973) 695-0888
New Jersey	Flemington	75 Reaville Avenue Suite 3	8822	Sriharsha Meda and Vasanthi Ailuri	(908) 782-8088
New Jersey	Franklin Lakes	828 Franklin Avenue	7417	Jeff and Ken Silbert	(201) 848-8300
New Jersey	Franklin Township	441 Elizabeth Avenue	8873	Ashish Chokshi and Vinender Sodagum	(732) 356-9772
New Jersey	Glassboro	694 Delsea Drive North Suite 5	8028	Katie and Eric Danver	(856) 269-4579
New Jersey	Hackensack	500 South River Street Suite 16	7601	Tina Sisco	(201) 561-0407
New Jersey	Hainesport	1520 SR 38	8036	Eric Danver	(609) 261-5555
New Jersey	Hillsborough	649 State Highway 206	8844	Jesse Hinman, Rajib Sarkar and Ishani Sarkar	(908) 281-0001
New Jersey	Hoboken	1400 Hudson Street	7030	Komal Desai	(201) 243-7771
New Jersey	Holmdel	2145 RT-35	07733	Dorothy Paige	(732) 447-9300
New Jersey	Howell	4817 Rt.9	7731	Nick Marco and Tara Bogota	(908) 280-0888
New Jersey	Kearny	175 Passaic Ave Suite 10	07032	Derrick Huggins	(973) 265-9104
New Jersey	Lanoka Harbor	344 North Main Street (Route 9) Suite 16	8734	Nick Marco and Tara Bogota	(609) 496-5555
New Jersey	Livingston	277 Eisenhower Parkway	7039	Jeff and Ken Silbert	(973) 533-6100
New Jersey	Manahawkin	295 Route 72	8050	Tara Bogota and Nick Marco	(609) 597-4440
New Jersey	Manalapan	55 Route 9 South	07726	Nick Marco and Tara Bogota	(732) 431-4722
New Jersey	Marlton	884 route 73 north	8053	Eric Danver	(856) 817-0300

New Jersey	Mays Landing	4215 Black Horse Pike Suite 330	8330	Ishani Sarkar, Jesse Hinman and Rajib Sarkar	(609) 484-0808
New Jersey	Medford	175 Route 70 Suite 4-B	08055	Eric Danver	(609) 257-3926
New Jersey	Middletown	457 State Hwy 35	7701	Nick Marco	(732) 842-8500
New Jersey	Millstone	508 Monmouth Road	08510	Kasam Basha	(609) 598-9935
New Jersey	Millville	2190 B North 2nd Street	8332	Helen and Thomas McMenamin	(856) 765-9494
New Jersey	Montclair	648 Bloomfield Avenue	7042	Komal Desai	(973) 498-1590
New Jersey	Morristown	191 E Hanover Avenue Suite F12	07960	Zach Friedman, Jessica Longo and Kristen Friedman	(973) 998-8055
New Jersey	Mullica Hill	141 Bridgeton Pike	8062	Melanie Vesper	(856) 478-4600
New Jersey	North Brunswick	768 Shoppes Blvd.	8902	Ashish Chokshi and Vinender Sodagum	(732) 317-3222
New Jersey	Ocean	2329 State Route 66 Suite 2	7712	Eric Danver	(732) 228-8101
New Jersey	Parlin	1048 Route 9	8859	Nick Marco	(908) 264-0081
New Jersey	Piscataway	1292 Centennial Avemcnuce	8854	Ashish and Shilpa Chokshi, Vinender Sodagum	(732) 981-1000
New Jersey	Pompton Lakes	63 Wanaque Avenue	7442	Jeff and Ken Silbert	(973) 248-8100
New Jersey	Princeton	560 Nassau Park Blvd.	08540	Eric Danver	(609) 514-8600
New Jersey	Skillman	1320 Route 206	08558	Bryan Scheff	(609) 759-2405
New Jersey	Somers Point	277 New Road	8244	Helen McMenamin, Daniel DiGangi and Thomas McMenamin	(609) 904-9004
New Jersey	Spring Lake Heights	1325 Warren Avenue	7762	Nick Marco	(732) 449-1700
New Jersey	Toms River	1358 Hooper Avenue	08753	Nick Marco and Tara Bogota	(732) 349-9700
New Jersey	Turnersville	3501 Rt 42	8012	Rajib Sarkar, Ishani Sarkar, Ishani Sarkar and Jesse Hinman	(856) 629-8080
New Jersey	Voorhees	700 Haddonfield Berlin Rd.	8043	Eric Danver	(856) 627-6277
New Jersey	Watchung	1701 Route 22 Suite 19A	7069	Sriharsha Meda and Vasanthi Ailuri	(908) 333-6722
New Jersey	Wayne	685 Hamburg Turnpike	7040	Rajib Sarkar, Jesse Hinman and Ishani Sarkar	(973) 925-7722

New Jersey	West Long Branch	310 State Hwy 36	7740	Nick Marco	(732) 389-9009
New Jersey	Woodbridge	789 St. Georges Avenue	7095	Eric and Katie Denver	(732) 874-5373
New York	Albany	98 Wolf Road Suite 15	12205	Kathryn and Carlos Perez	(518) 941-9550
New York	Babylon	124 East Main Street Suite 102	11702	Tina Blaise	(631) 669-4600
New York	Bay Shore	595 E. Main Street Suite 16	11706	Cathy and Michael Mirabella	(631) 954-0450
New York	Bellmore	2736 Merrick Road	11710	Lisa Moss	(516) 308-0999
New York	Brooklyn	34 N 6th Street Suite E	11249	Dylan Perlman, Judy Zozzaro Guarino and Jolene Libretto	(718) 540-4680
New York	Carle Place	214A Glen Cove Road	11514	Jared and Adam Steinhandler	(516) 806-4322
New York	Commack	6020 Jericho Turnpike	11725	Lauren and Michael Kulberg	(631) 462-1010
New York	Hewlett	1300 Broadway	11557	Alan Bernstein	(516) 619-9600
New York	Huntington	16 Wall Street 2nd Floor	11743	Tina Blaise	(631) 424-2200
New York	Jericho	467 North Broadway	11753	Gil and Lisa Rejwan	(516) 801-8200
New York	Levittown	3515 Hempstead Turnpike	11756	Dylan Perlman	(516) 622-3077
New York	Mamaroneck	345 Mamaroneck Avenue	10543	Jenny Pfaff	(914) 268-9040
New York	Melville	315 Walt Whitman Road	11746	Russ Imbesi	(631) 677-1300
New York	New City	170 South Main Street	10956	Sindy Vasquez	(845) 708-0808
New York	Port Washington	987 Port Washington Blvd	11050	Rosalia Yarrington	(516) 944-6000
New York	Poughkeepsie	1895 South Rd	12601	Marianne and Robert Durr	(845) 298-8088
New York	Rockville Centre	302 Merrick Road	11570	Dylan Perlman	(516) 766-4772
New York	Smithtown	126 E. Main Street	11787	Russ Imbesi	(631) 982-4900
New York	Staten Island	205 Bricktown Way	11787	Derrick Huggins	(718) 751-4131
New York	Stony Brook	2300 Nesconset Highway	11790	Rob and Tina Kirch	(631) 751-4131
North Carolina	Apex	1431 Kelly Road	27502	Eric and Katie Denver	(919) 650-4611
North Carolina	Asheville	1829 Hendersonville Road	28803	Eric and Katie Denver	(828) 229-7733
North Carolina	Asheville	80 S Tunnel Road Suite 90	28805	Tina Crawford	(828) 785-4488

North Carolina	Cary	302 Colonades Way Suite 104	27518	Brittany and Robert Cole	(919) 238-4810
North Carolina	Cary	12210 Bradford Green Square	27519	Jeff Heck	(919) 465-0819
North Carolina	Chapel Hill	8 Meadowmont Village	27517	Andy and Christine Johnson	(919) 929-6988
North Carolina	Charlotte	16615 Lancaster Hwy Ste 107	28277	Chad Foster and Mark Reisinger	(704) 341-2052
North Carolina	Charlotte	16615 Lancaster Highway	28277	Chad Foster and Mark Reisinger	(704) 341-2052
North Carolina	Charlotte	13540 Hoover Creek Blvd.	28273	Chris and Susal Jewell	(980) 202-6699
North Carolina	Charlotte	4310 Sharon Road Suite X11	28211	Katie and Eric Danver	(704) 947-8715
North Carolina	Clemmons	6336 Clemmons Point Dr		Larry Shifflett	(336) 766-0622
North Carolina	Concord	8915 Christenbury Pkwy Suite 10	28027	Eric and Katie Danver	(704) 315-6694
North Carolina	Durham	1819 Martin Luther King, Jr. Parkway Suite 1819	27707	Jeff Heck	(919) 794-8086
North Carolina	Fayetteville	318 Glensford Drive	28314	Eric and Katie Danver	(910) 300-9611
North Carolina	Fuquay-Varina	1451 East Broad Street Suite A-012B	27526	Shelly Lynn and Jorge Rosende	(919) 914-0944
North Carolina	Garner	166 Shenstone Blvd.	27529	Tiffany and Daniel Hook	(919) 299-6159
North Carolina	Greensboro	3352 W. Friendly Ave. Suite 126	27410	Eric and Katie Danver	(336) 218-6998
North Carolina	Greenville	3040 South Evans Street		Larry Shifflett	(252) 756-8900
North Carolina	High Point	4117 Brian Jordan Place Suite 103	27265	Katie and Eric Danver	(336) 790-5660
North Carolina	Huntersville	14210 Market Square Drive F 3-4	28078	Franci Pirkle	(704) 946-2040
North Carolina	Matthews	2304 Matthews Township Parkway Suite 102	28105	Joe O'connell	(704) 321-4404
North Carolina	Monroe	2833 W. Highway 74	28110	Eric Danver	(980) 758-2333
North Carolina	Mooresville	631 Brawley School Road Suite 200	28117	Conrad and Janet Hunter	(704) 800-5535
North Carolina	Raleigh	9650 Leesville Road Suite 100	27613	Andy and Christine Johnson	(984) 238-2366
North Carolina	Raleigh	6625 Falls of Neuse Rd.	27615	Chris Parks	(919) 729-5606
North Carolina	Raleigh	402 Oberlin Road #114	27605	Tiffany and Daniel Hook	(919) 749-5335
North Carolina	Southern Pines	10205 US 15-501 Highway Suite 43A	28387	Eric and Katie Danver	(910) 505-9510

North Carolina	Wake Forest	3612 Rogers Branch Road Suite 109	27587	Shelly Lynn and Jorge Rosende	(919) 263-4955
North Carolina	Wilmington	840 Town Center Drive Suite 115	28405	Andy and Christine Johnson	(910) 294-8866
North Carolina	Winston-Salem	310 S. Stratford Road Suite 110	27103	Eric and Katie Danver	(336) 790-9644
Ohio	Beachwood	27950 Chagrin Blvd	44122	Sumit and Monica Bansal	(216) 839-2772
Ohio	Canton	4992-D Fulton Dr. NW	44718	Eric and Miranda McKimm	(330) 470-4767
Ohio	Centerville	5240 Cornerstone North Blvd.	45440	Michael Lane	(937) 907-3030
Ohio	Cincinnati	9861 Waterstone Blvd. Unit 126	45249	Scott Collett	(513) 683-4263
Ohio	Cincinnati	3242 Vandercar Way	45209	Scott Collett	(513) 644-0330
Ohio	Cincinnati	690 Eastgate Drive Suite 100	45245	Scott Collett	(513) 757-9021
Ohio	Cincinnati	8154 Montgomery Road	45236	Scott Collett	(513) 407-5766
Ohio	Columbus	5792 Hamilton Road Suite A	43230	David Burch	(614) 758-3028
Ohio	Columbus	1190 Polaris Parkway	43240	Scott Collett	(614) 430-9911
Ohio	Dayton	2826 Miamisburg Centerville Rd.	45459	Michael Lane	(937) 350-6669
Ohio	Dublin	6570 Perimeter Drive	43017	David Burch	(614) 792-7721
Ohio	Fairlawn	2731 West Market St	44333	Miranda and Eric McKimm	(330) 869-5433
Ohio	Gahanna	313 Hamilton Road	43230	David Burch	(614) 741-0340
Ohio	Hilliard	1888 Hilliard Rome Road	43026	Scott Collett	(614) 819-3570
Ohio	Parma	7841 W. Ridgewood Drive	44129	Neel Patel	(440) 427-3523
Ohio	Perrysburg	12311 Eckel Junction Road	43551	David Schmier and Jeffrey Belen	(419) 931-6533
Ohio	Reynoldsburg	8077 East Broad Street	43068	Krista Neal	(614) 655-4342
Ohio	Rocky River	19356 Detroit Road	44116	Monica and Sumit Bansal	(440) 772-0410
Ohio	Solon	33631 Aurora Road	44139	Robert Crowley, Dhrumil Patel, and Tapan Patel	(216) 282-0958
Ohio	Strongsville	17100 Royalton Road Suite 9A	44136	Sumit and Monica Bansal	(440) 730-4223
Ohio	Toledo	5333 Monroe Street		David Schmier and Jeffrey Belen	(419) 930-0609

Ohio	Upper Arlington	3104 Kingsdale Center	43221	Nick Marco	(614) 812-1359
Ohio	West Chester	7685 Doc Drive	45069	Scott Collett	(513) 982-1632
Ohio	Westlake	30044 Detroit Road Suite 122	44145	Sumit and Monica Bansal	(216) 350-9992
Oklahoma	Tulsa	7323 South Olympia Avenue Suite G	74132	Bryant Bynum	(918) 727-2772
Oregon	Beaverton	12325 SW Horizon Blvd. Suite 217	97007	Monica Rivas and Guillermo Ortega	(503) 616-7057
Oregon	Beaverton	3435 Cedar Hills Blvd	97005	Monica Rivas and Guillermo Ortega	(503) 626-8200
Oregon	Happy Valley	16144 SE Happy Valley Town Center Dr	97086	Monica Rivas and Guillermo Ortega	(503) 658-7500
Oregon	Hillsboro	7397 NE Butler St.	97124	Guillermo Ortega and Monica Rivas	(503) 681-4949
Oregon	Lake Oswego	4823 Meadows Road	97035	Guillermo Ortega and Monica Rivas	(503) 908-3999
Oregon	Portland	25 NW 23rd Place Suite 7	97210	Guillermo Ortega and Monica Rivas	(503) 488-6770
Oregon	Portland	4155 N. Williams Avenue	97217	Guillermo Ortega and Monica Rivas	(503) 444-8292
Pennsylvania	Allentown	750 N. Krocks Road Suite 205	18106	Eric Danver	(610) 841-8882
Pennsylvania	Bala Cynwyd	67 E. City Line Avenue	19004	Grace Zhao	(610) 572-2788
Pennsylvania	Bethlehem	3926 Linden Street	18020	Robin Bansal	(610) 419-6050
Pennsylvania	Blue Bell	938 DeKalb Pike Suite 220	19422	Robin Bansal	(215) 278-6219
Pennsylvania	Brookhaven	4912 Edgmont Avenue	19015	Robin Bansal	(610) 340-3190
Pennsylvania	Broomall	Lawrence Park Shopping Center	19008	Traci and Anthony Nocito	(610) 359-0100
Pennsylvania	Bryn Mawr	761 Lancaster Avenue	19010	Dana and Stuart Kline	(610) 642-7721
Pennsylvania	Camp Hill	3506 Capital City Mall Dr.	17011	Eric Danver	(717) 459-9300
Pennsylvania	Center Valley	2960 Center Valley Parkway Suite 726	18034	Eric Danver	(610) 709-8709
Pennsylvania	Conshohocken	200 West Ridge Pike Suite 125-A	19428	Eric Danver	(610) 340-3134
Pennsylvania	Cranberry	1713 Route 228 Suite A	16066	Gregory and Janell Billy	(724) 638-8508

Pennsylvania	Dickson City	3912 Commerce Blvd.	18519	John Beggs and Richard Bunchalk	(570) 561-2200
Pennsylvania	Easton	3770 Dryland Way	18045	Eric Danver	(610) 258-3909
Pennsylvania	Exton	207 W Lincoln Highway	19341	Robin Bansal	(610) 363-0400
Pennsylvania	Feasterville-Trevose	190 E. Street Road	19053	Bryn and Joseph Erace	(215) 322-8888
Pennsylvania	Flourtown	1864 Bethlehem Pike Space 53	19031	Anthony and Traci Nocito	(215) 233-4222
Pennsylvania	Glen Mills	301 Byers Drive Suite 5	19342	Eric and Katie Danver	(610) 361-6171
Pennsylvania	Harrisburg	2615 Brindle Drive	17110	Penny and Andy Smith	(717) 651-1133
Pennsylvania	Huntingdon Valley	2028 County Line Rd.	19006	Traci and Anthony Nocito	(215) 355-3111
Pennsylvania	Kennett Square	126 Onix Drive	19348	Greg Shishko	(484) 732-8134
Pennsylvania	King of Prussia	150 Allendale Road	19406	Stuart and Dana Kline	(484) 322-2992
Pennsylvania	Lancaster	2351 Oregon Pike	17601	Penny and Andy Smith	(717) 569-1133
Pennsylvania	Langhorne	512 Oxford Valley Road	19047	Eric Danver	(215) 752-7900
Pennsylvania	Malvern	215 Lancaster Avenue Suite G-4	19355	Autumn and John Iatesta	(610) 578-2999
Pennsylvania	McMurray	3937 Washington Road	15317	Mark and Lauren Lega	(412) 324-8800
Pennsylvania	NE Philadelphia	2500 Grant Avenue	19114	Bryn and Joseph Erace	(267) 732-7065
Pennsylvania	Newtown	2844 S. Eagle Road	18940	Cathy Malerman	(215) 968-3700
Pennsylvania	Newtown Square	4831 West Chester Pike	19073	Eric Danver	(484) 427-7090
Pennsylvania	North Wales	20 Airport Square	19454	Connie Lineman and Maripat Mowry	(215) 855-7771
Pennsylvania	Philadelphia	3200 Chestnut Street	19104	Anthony and Traci Nocito	(215) 259-7533
Pennsylvania	Philadelphia	1425 Locust Street Suite C-1	19102	Bryan Rodner	(267) 687-8666
Pennsylvania	Philadelphia	2201 Cottman Avenue	19149	Bryn and Joseph Erace	(267) 388-2890
Pennsylvania	Philadelphia	2306 W. Oregon Avenue	19145	Bryn and Joseph Erace	(267) 825-7060
Pennsylvania	Philadelphia	420 N 20th St	19130	Eric Stahl and Loren Barsky	(267) 455-0009
Pennsylvania	Philadelphia	1100 S. Columbus Blvd.	19147	Jason Guzy, Jamie Guzy and Matt Jones	(215) 259-7576
Pennsylvania	Phoenixville	1570 Egypt Road Suite 220	19456	Eric Danver	(610) 666-9600

Pennsylvania	Pittsburgh	6102 Centre Ave	15206	Gregory and Janell Billy	(412) 404-6393
Pennsylvania	Pittsburgh	936 Penn Ave.	15222	Joe and Nina Pewdo	(412) 307-3199
Pennsylvania	Pittsburgh	456 Home Drive	15275	Sri Busi, Vijaya Kasireddy, Thanooj Kamavarapu, Archana Puli, Manoj Kamavarapu and Vidyasagar Cheekati	(412) 923-3299
Pennsylvania	Pottstown	245 Upland Square Drive	19464	Robin Bansal	(484) 948-4995
Pennsylvania	Quakertown	1465 West Broad Street Suite 18	18951	Michael Albanese, Julie Borrelli, Stacey Clemons and Noelle Albanese	(215) 992-7999
Pennsylvania	Royersford	1844 E. Ridge Pike	19468	Eric Danver	(610) 792-0772
Pennsylvania	Stroudsburg	300 Commerce Boulevard Suite 140	18360	John Beggs and Richard Bunchalk	(570) 664-7003
Pennsylvania	Upper St. Clair	100 Siena Drive Suite 235	15241	Lauren and Mark Lega	(412) 604-9700
Pennsylvania	Warrington	1661 Easton Road B-4	18976	Greg and Maripat Mowry	(215) 491-1022
Pennsylvania	Wayne	503 W. Lancaster Ave.	19087	Michelle Harhai	(610) 964-7800
Pennsylvania	Wexford	12085 Perry Highway	15090	Medha Gokhale	(412) 455-5520
Pennsylvania	Wilkes-Barre	411 Arena Hub Plaza	18702	Richard Bunchalk and John Beggs	(570) 828-3899
Pennsylvania	Willow Grove	168 Park Ave	19090	Eric Danver	(215) 657-6100
Pennsylvania	Wyomissing	1185 Berkshire Blvd.	19610	Eric Danver	(610) 373-1213
South Carolina	Charleston	1133 Savannah Highway Suite 510	29407	Chad Foster and Mark Reisinger	(843) 823-0020
South Carolina	Columbia	275 Park Terrace Drive Suite 400	29212	Will Dennis	(803) 219-1140
South Carolina	Columbia	702 Cross Hill Road Suite 440-C	29205	Will Dennis	(803) 726-0364
South Carolina	Fort Mill	1646 HWY 160 W, Suite 103	29708	Howard Foard	(803) 233-3385
South Carolina	Greenville	67 Woodruff Industrial Lane	29607	Will Dennis	(864) 234-5772
South Carolina	Greer	755 Hammett Bridge Road Suite 120	29650	Sandy Francis	(864) 438-0845
South Carolina	Indian Land	7756 Charlotte Highway Suite 108	29707	Abbey and Scott Cameron	(803) 820-0380

South Carolina	Lexington	5580 Sunset Boulevard	29072	Amy Daly	(803) 334-4422
South Carolina	Mount Pleasant	976 Houston Northcutt Blvd.	29464	Mark Reisinger and Chad Foster	(843) 936-4040
South Carolina	Myrtle Beach	2010 Oakheart Road	29579	Anthony and Traci Nocito	(854) 233-3310
South Carolina	North Myrtle Beach	1416 Highway 17 N. Unit 18	29582	Anthony and Traci Nocito	(843) 508-8110
South Carolina	Summerville	1101 N. Main Street #308	29483	Chad Foster and Mark Reisinger	(843) 800-8322
Tennessee	Brentwood	201 Franklin Road Suite 170	37027	Eric Danver	(615) 850-4360
Tennessee	Franklin	4091 Mallory Lane Suite 124	37067	Eric Danver	(615) 791-0091
Tennessee	Germantown	7781 Farmington Blvd. Suite 109	38138	Gary Millender, Anthony McCarroll and Thomas Dubose	(901) 686-9191
Tennessee	Murfreesboro	536 North Thompson Lane	37129	Eric Danver	(615) 217-8181
Texas	Allen	190 East Stacy Road Suite 1102	75002	Sandeep and Shilpa Khurana	(972) 787-0117
Texas	Arlington	1701 W Randol Mill Road Suite 516A	76012	Amy Glass, Hayley Smetana, Jiri Smetana and Pat West	(817) 274-4880
Texas	Arlington	3751 Matlock Rd.	76015	Robert Boulware	(817) 468-2020
Texas	Austin	4301 W. William Cannon Bldg. E., Suite 230	78749	Teri Evans	(512) 892-1888
Texas	Austin	10740 Research Blvd. Suite 120	78759	Teri Evans	(512) 357-8311
Texas	Austin	10526 W. Parmer Lane	78717	Teri Evans	(512) 733-6000
Texas	Bee Cave	13500 Galleria Circle Suite U-105	78738	Teri Evans	(512) 263-2227
Texas	Burleson	140 NW John Jones Drive Suite 144	76028	Amy Glass and Pat West	(817) 207-5636
Texas	Conroe	449 S. Loop 336 W Suite 500	77304	Kristy and Mark Tennant	(936) 756-3800
Texas	Coppell	140 W Sandy Lake Road Suite 120	75019	Mike Anderson	(972) 295-9053
Texas	Cypress	17333 Spring Cypress Road Suite F	77429	Grace and Wesam Salha	(346) 344-4338
Texas	Dallas	7331 Gaston Avenue Suite 170	75214	David Hines	(214) 975-3975
Texas	Dallas	6411 E. Northwest Highway Suite 135	75231	David Hines	(214) 489-7277

Texas	Dallas	5100 Belt Line Road	75254	Hayley and Jiri Smetana	(972) 991-6000
Texas	Dallas	3699 McKinney Ave.	75204	Nicolas and Richard D'Amico	(214) 396-9112
Texas	El Paso	664 Sunland Park Drive	79912	Rossane Neria, Kaleb Warnock and Rosanne Neria	(915) 296-5900
Texas	Euless	2921 State Highway 121	76039	Khamphiou and Stephen Brinkley	(817) 809-4448
Texas	Flower Mound	3501 Long Prairie Road	75022	Milton Honza and Mark McCullin	(972) 355-3939
Texas	Fort Worth	3240 West 7th Street	76107	Amy Glass and Pat West	(817) 953-8550
Texas	Fort Worth	4670 SW Loop 820	76109	Khamphiou and Stephen Brinkley	(817) 809-4558
Texas	Fort Worth	6323 Camp Bowie Blvd. Suite 135	76116	Khamphiou and Stephen Brinkley	(817) 953-8180
Texas	Fort Worth	9180 North Freeway Suite 512	76177	Kim and Larry Meyers	(817) 750-7777
Texas	Fort Worth	2700 Presidio Vista Drive	76177	Kim and Larry Meyers	(817) 953-8810
Texas	Frisco	3211 Preston Road Suite 11	75034	Khamphiou and Stephen Brinkley	(214) 915-2125
Texas	Frisco	15962 W. Eldorado Parkway Suite 600	75035	Milton Honza and Mark McCullin	(972) 542-8100
Texas	Fulshear	6230 FM 1463 Suite 650	77441	Mark and Heather Mize	(281) 310-5330
Texas	Georgetown	1225 S IH 35 Suite #115	78626	Darrell Aubrey	(512) 890-1108
Texas	Houston	12520 Memorial Drive	77024	Allison and Cameron Berry	(713) 904-3830
Texas	Houston	10123 Louetta Road	77070	Brittany and Tony Rodger	(832) 717-3800
Texas	Houston	12712 W. Lake Houston Parkway Suite E	77044	Cameron and Allison Berry	(713) 955-3988
Texas	Houston	2009 W. 34th Street Suite B	77018	Greg Green, Al Hassler and Cara Green	(713) 955-3450
Texas	Houston	1745 South Voss Road	77057	Jeff Flannery	(713) 972-9000
Texas	Houston	5213 Kelvin Drive	77005	Jeff Flannery	(713) 520-6161
Texas	Hutto	5004 Gattis School Road Suite 300	78634	Heath Balmos, Heather Balmos and Pamela O'Neill	(512) 717-7764
Texas	Irving	941 MacArthur Park Drive	75063	Jeff and Laurey Sperring	(972) 556-9155
Texas	Katy	23541 Westheimer Parkway	77494	Chris and Elizabeth Wibner	(281) 869-3903

Texas	Kingwood	4523 Kingwood Drive Suite 100	77345	Allison and Cameron Berry	(281) 940-8979
Texas	Leander	651 N. US Highway 183 Suite 135	78641	Robert Barnes	(512) 260-2224
Texas	Mansfield	1530 Debbie Lane Suite 120	76063	Amy Glass and Pat West	(817) 473-4772
Texas	Murphy	119 N. Murphy Road	75094	Sandeep and Shilpa Khurana	(214) 396-8061
Texas	North Richland Hills	8528 Davis Blvd Suite 220	76182	Kim and Lary Meyers	(817) 281-2226
Texas	Plano	4801 W. Park Blvd.	75093	Jamie Kim	(972) 612-9972
Texas	Prosper	1070 South Preston Road Suite 40	75078	Dhananschandra "DC" Rao and Bharti Sharma	(469) 277-8386
Texas	Richmond	10321 West Grand Parkway South Suite 150	77407	Mark and Heather Mize	(713) 955-2445
Texas	Rockwall	1053 I-30 E Suite 109	75087	Shilpa and Sandeep Khurana	(945) 236-3063
Texas	Rosenberg	24820 Commercial Drive	77471	Heena Hirani	(832) 344-4333
Texas	Round Rock	200 University Blvd.	78665	Teri Evans	(512) 863-4555
Texas	San Antonio	22502 US Hwy 281 N. Bld. K Suite 102	78258	Daniel Doss and Leah Kilpatrick	(210) 590-4554
Texas	San Antonio	355 E Basse Road Suite 107	78209	Jim and Melodie Wallace	(210) 610-1293
Texas	San Antonio	10670 Culebra Road	78251	Jim and Melodie Wallace	(210) 202-0630
Texas	San Antonio	1435 N Loop 1604 W	78258	Jim and Melodie Wallace	(210) 963-7501
Texas	Sienna Village	8840 Highway 6 Suite 140	77459	Mark and Heather Mize	(281) 810-3441
Texas	Southlake	1221 East State Hwy 21	76092	Kim and Larry Meyers	(817) 488-2223
Texas	Spring	2168 Spring Stuebner Road suite 230	77389	Larry Salguero	(346) 386-6565
Texas	Sugar Land	16525 Lexington Blvd. Suite 150	77479	Jeff Flannery	(281) 265-0065
Texas	Sugar Land	18931 University Boulevard Suite 1030	77479	Kaushik and Vrunda Bhagwanji	(713) 955-4644
Texas	Temple	2318 SW HK Dodgen Loop Suite 101	76504	Navin Sharma	(254) 327-1200
Texas	The Woodlands	4526 Research Forest Drive Suite #150	77381	Brittany and Tony Rodger	(281) 298-5153

Texas	The Woodlands	26400 Kuykendahl Road	77389	Brittany and Tony Rodgers	(281) 255-6222
Texas	Tyler	8926 S. Broadway Ave Suite 118	75703	Loree and Michael Petree	(903) 345-6051
Texas	Waco	2816 Marketplace Drive Suite 105	76711	Heath and Heather Balmos	(254) 327-0580
Texas	Weatherford	325 Adams Drive Suite 329	76086	Pat West and Amy Glass	(817) 809-4853
Texas	Webster	1523 West Bay Area Blvd.	77598	Larae and Steve Van De Berg	(281) 332-9656
Utah	Bountiful	530 West 500 South	84010	Greg and Rebecca Deamer	(801) 833-0663
Utah	Draper	12259 South 450 East Suite A	84020	Patrick Burton	(801) 441-6041
Utah	Lehi	1851 W. Traverse Parkway B		Lane Olsen	(385) 336-3500
Utah	Midvale	944 Fort Union Blvd.	84047	Patrick Burton	(801) 559-0470
Utah	Orem	325 E. University Parkway Suite B	84097	Jarom Bettinger	(385) 715-0010
Utah	Pleasant Grove	875 S. North County Blvd. Suites B-C	84062	Jarom Bettinger	(385) 334-6440
Utah	Salt Lake City	1140 E. Brickyard Road	84106	Karlee Gilmore	(385) 271-0444
Utah	South Jordan	3537 West 11400 South Suite C	84095	Brendan Burke	(385) 955-1234
Virginia	Alexandria	5830 Kingstowne Towne Shopping Center Drive #110	22315	Eric Danver	(703) 922-7777
Virginia	Chantilly	13033 Lee Jackson Memorial	22033	Eric Danver	(703) 378-8850
Virginia	Charlottesville	250 Merchant Walk Avenue Building 1100, Suite 400	22902	Andrew Elsbury	(434) 333-0706
Virginia	Chesapeake	1224 Greenbrier Parkway	23320	Jeff Flannery	(757) 500-2488
Virginia	Chesterfield	7204 Hancock Village	23832	Rob and Sara McBride	(804) 639-1113
Virginia	Fairfax	3950 University Dr. Suite 105		Bryan Wright	(703) 659-8330
Virginia	Falls Church	6112 Arlington Blvd.	22044	Eric Danver	(703) 533-0678
Virginia	Fredericksburg	10002 Southpoint Parkway	22407	Eric Danver	(540) 496-0088
Virginia	Fredericksburg	1460 Central Park Blvd, Suite 112		Guangmei Ran and Anil Premall	(540) 735-4840
Virginia	Glen Allen	1080 Virginia Center Parkway South Suite 111	23059	Jeff Flannery	(804) 993-0117

Virginia	Haymarket	6408 Trading Square Space 250	20169	Lisa Limoges	(703) 291-4998
Virginia	Henrico	11873 West Broad Street	23233	Rob and Sara McBride	(804) 360-0005
Virginia	Manassas	9902 Liberia Avenue	20110	James Acquah, John Ekrow Acquah, Theresa Acquah, Kofi Quansah and Michael McKenzie	(703) 996-4060
Virginia	Mechanicsville	7230 Bell Creek Road Suite G Brandy Creek Commons,	23111	Kinjal and Amit Desai	(804) 736-0700
Virginia	Midlothian	12625 Stone Village Way	23113	Andrew Elsbury	(804) 245-8181
Virginia	Reston	11160 South Lakes Drive Suite B	20191	Eric Danver	(703) 860-3660
Virginia	Richmond	10 N Nansemond Street	23221	Andrew Elsbury	(804) 227-9427
Virginia	Richmond	1515 N. Parham Road	23229	Rob and Sara McBride	(804) 256-2248
Virginia	Sterling	21453 Epicerie Plaza Suite 125	20164	Toya Evans, Lauren Williamson and Chanel Grant	(703) 544-7328
Virginia	Virginia Beach	1909 Landstown Centre Way Suite 150	23456	Andrew Elsbury	(757) 866-2870
Virginia	Virginia Beach	4485 Virginia Beach Blvd.	23462	Andrew Elsbury	(757) 280-5410
Virginia	Winchester	239 Kernstown Commons Blvd	22602	Lisa Limoges	(540) 508-0536
Virginia	Woodbridge	12501 Dillingham Square	22192	Chanel Grant, Lauren Williamson and Toya Evans	(571) 667-6277
Washington	Bellevue	15600 NE 8th Street Suite - E5	98008	Andrew and Julie Nebels	(425) 329-7712
Washington	Kent	25844 104th Ave SE	98030	Kevin Byrne	(253) 813-8011
Washington	Lacey	1380 Galaxy Drive NE	98516	Guillermo Ortega, Astrid Andreu, Rogerio Reyes and Monica Rivas	(360) 438-3735
Washington	Mill Creek	1018 164th Street SE A-28	98012	Dennis and Patti Williams	(425) 366-7462
Washington	Puyallup	10418 156th Street E.	98374	Monica Rivas, Rogerio Reyes, Guillermo Ortega and Astrid Andreu	(253) 770-4840

Washington	Redmond	7525 166th Avenue NE Suite D140	98052	Julie and Andrew Nebels	(425) 650-0405
Washington	Seattle 98116	4700 42nd Ave. SW, Suite 200		Eddy Shibale and Anafrid Amiani	(206) 937-8432
Washington	Tukwila	17100 Southcenter Parkway	98188	Astrid Andreu, Guillermo Ortega, Monica Rivas and Rogerio Reyes	(206) 575-0700
Washington	University Place	3904 Bridgeport Way West, Suite A	98467	Kevin Byrne	(253) 444-6995
Washington	Vancouver	3415 SE 192nd Avenue Suite 108	98683	Andrew and Julie Nebels	(360) 203-7900
Washington	Vancouver	7604 NE 5th Ave Suite 110	98665	Andrew Nebels	(360) 696-9449
Wisconsin	Greenfield	8849 W. Sura Lane	53228	Bobby Green and Sylvia Barocio- Green	(414) 376-6656
Wisconsin	Menomonee Falls	N56 W15560 Silver Springs Dr	53051	Monica and Sumit Bansal	(262) 781-1855
Wisconsin	Oak Creek	7956 S. Main Street	53154	Prabhjyot Tiwana, Gurinder Nagra and Kalwinder Nagra	(414) 519-5286
Wisconsin	Wauwatosa	2751 N. Mayfair Road	53222	Bobby Green and Sylvia Barocio- Green	(414) 436-0029

The following franchisees have signed franchise agreements but have not yet opened as of 12/31/2024:

City	State / Province	Owner	Phone Number
Birmingham	AL	John Goldasich	N/A
Hoover	AL	John Goldasich	N/A
Phoenix-Avondale	AZ	Karpagam Gunasekaran	N/A
Orange	CA	David Beser	N/A
Roseville	CA	Tara Kamahana	N/A
Sacramento-The UV	CA	Tara Kamahana	N/A
Babcock Ranch	FL	Michael Hendershott	N/A
Cape Coral	FL	Michael Hendershott	N/A
Downtown Miami	FL	Augusto Perez	N/A
Fort Lauderdale-South	FL	James Egan	N/A
Middleton	FL	Ron Urton	N/A
Minneola	FL	Steven Harrison	N/A
New Smyrna Beach	FL	Arlene Walker	N/A
Panama City	FL	Don Williams	N/A
Pompano Beach	FL	Eric Danver	N/A
Punta Gorda	FL	Katie Augustin	N/A
Rockledge-Viera	FL	Elizabeth Whitby	N/A
St. Cloud	FL	Rob Beers	N/A
Venice	FL	James Egan	N/A
West Palm Beach	FL	Kelli Marazzi	N/A
Palm Coast North	FL	Pam O'Neill	N/A
Poinciana	FL	Rob Beers	N/A
Royal Palm Beach	FL	Megan Davis	N/A
Sunrise	FL	Sunitee Singh	N/A
Magnolia	FL	Crystal Ojeda	N/A
Winter Garden	FL	Andrew Mellen	N/A
Honolulu	HI	Michael Barstis	N/A
Boise	ID	Kristen Kenyon	N/A
Bolingbrook	IL	Michael Hendershott	N/A
Gurnee	IL	Saj Rizvi	N/A
La Grange	IL	Saj Rizvi	N/A
Lombard	IL	Michael Hendershott	N/A
North Riverside	IL	Saj Rizvi	N/A
Schaumburg	IL	Daryl Johnson	N/A
Skokie	IL	Saj Rizvi	N/A
Vernon Hills	IL	Saj Rizvi	N/A
Fishers 1	IN	Heather Sanchez	N/A
Denham Springs	LA	Stacey Johnston	N/A
Bel Air	MD	Shamsh Alam	N/A
Bowie	MD	Lauren Williamson	N/A
Burtonsville	MD	Steve Sheppard	N/A
La Plata	MD	Suresh Vanukuru	N/A
Benson	NC	Tiffany Hook	N/A
Charlotte - Dilworth	NC	Howard Foard	N/A
Monroe	NY	Sindy Vasquez	N/A
Holbrook	NY	Patrick Martone	N/A

Broadview Heights	OH	Robert Crowley	N/A
(to be determined)	OH	Miranda McKimm	N/A
Harleysville	PA	Traci Nocito	N/A
Reading	PA	Eric Danver	N/A
State College	PA	John Beggs	N/A
Williamsport	PA	John Beggs	N/A
Murrells Inlet	SC	Traci Nocito	N/A
Rock Hill	SC	Eric Danver	N/A
Chattanooga-Downtown	TN	Don Williams	N/A
Chattanooga-East	TN	Don Williams	N/A
Mt. Juliet	TN	Erin Powell	N/A
Nolensville	TN	Erin Powell	N/A
Smyrna	TN	Erin Powell	N/A
Greater/Lower Heights	TX	Kaushik Bhagwanji	N/A
Cedar Hill	TX	Chandni Patel	N/A
Denton	TX	Chandni Patel	N/A
Katy-Northeast	TX	Kaushik Bhagwanji	N/A
Midlothian	TX	Chandni Patel	N/A
Northlake	TX	Brunda Lankipalli	N/A
Pearland-West	TX	Kaushik Bhagwanji	N/A
Pleasant View	UT	Kamara Edes	N/A
Chester	VA	Mike Sanford	N/A
Stafford	VA	Lauren Williamson	N/A
Virginia Beach - Hilltop	VA	Andrew Elsbury	N/A
Williamsburg	VA	Mike Sanford	N/A
Waukesha	WI	Robert Green	N/A

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

Franchisees Who Left the System in 2024

**If you buy this franchise, your contact information may be disclosed to other buyers
when you leave the franchise system.**

State	City	Name	Phone Number	Reason
CA	Corona	Jabrey Eljahmi	(909) 941-1144	Transfer
CA	San Rafael	Jeff Flannery	(510) 523-3500	Ceased Operations- Other Reasons
CO	Boulder	David Ivener	(720) 500-1200	Transfer
CO	Denver -Cherry Creek	Noah Glick	(303) 394-4444	Transfer
CO	Denver-Northfield	Noah Glick	(303) 574-0150	Transfer
GA	Chamblee	Suresh Vanukuru	(470) 377-5783	Transfer
MD	Owings Mills	Dr Kim Birchen	(443) 410-4521	Transfer
NJ	Hainesport	Debra & Michael Schrenk	(609) 261-5555	Transfer
NY	Carle Place	George Stephanos	(516) 806-4322	Transfer
NY	Yonkers Ridge Hill	Jenny Pfaff	(914) 268-9040	Ceased Operations- Other Reasons
OH	Beachwood	David Schuck	(216) 839-2772	Transfer
OH	Rocky River	David Schuck	(440) 772-0410	Transfer
OH	Strongsville	David Schuck	(440) 730-4223	Transfer
OH	Westlake	David Schuck	(216) 350-9992	Transfer
OK	Tulsa-Tulsa Hills	Ryan & Teresa Goodnight	(918) 727-2772	Transfer
PA	Broomall	Dianne Burkitt	(610) 359-0100	Transfer
PA	Philadelphia - University City	Wayne Crowther	(215) 259-7533	Transfer
TX	Bee Cave	Keith & Diana Wagner	(512) 263-2227	Transfer
TX	Hutto Pflugerville	Churee Carrillo	(512) 717-7764	Transfer
TX	San Antonio - The Quarry	Tim Polvado	(210) 610-1293	Transfer

EXHIBIT G TO THE DISCLOSURE DOCUMENT
LIST OF REGIONAL AND AREA DEVELOPERS

List of Regional Developers

John Marco, Nick Marco and Tara Bogota

John Marco is a physical therapist who founded Hand and Stone in 2004 and served as the Company's COO from April 2004 until April 2015 when he left and purchased the regional development rights for Ohio with his children Nick and Tara. Nick Marco has worked at the Hand and Stone in Toms River for over five years in various management positions. Tara Bogota has been the manager at the Hand and Stone in Toms River for the past seven years and has also served as a corporate trainer for Hand and Stone.

List of Area Developers

Robert Beers

Rob Beers has over 10 years of franchise experience as a franchisee of Field of Dreams franchise, which established in 1997 in Orlando's high-end Florida Mall. Rob also serves as a director for a multi-million dollar residential and commercial real estate developer in the greater Washington DC area. As a leader on the board of directors for The Miller Companies, Rob heads numerous initiatives to ensure accountability at both the board and management levels and to maximize profitability. He has chaired a number of committees, such as Advisory to Management, Owners Agreement and Governance and Nominating. Robert Beers served as a Regional Developer for Hand and Stone from May 1, 2007, until March 8, 2022, and is currently an Area Developer for Hand and Stone. Robert Beers' Designated Market Areas include Mississippi, Louisiana, and New Mexico.

Don Williams

Before Hand and Stone, Don Williams was Partner in a hybrid travel agency that specialized in providing marketing and tours to the timeshare industry. In 2009, Don signed onto our brand and grew to six spas in South Florida over the next decade. In 2021, he sold his Florida spas to our corporate team to enter his next phase with Hand & Stone. In early 2022, Don became the Area Developer of Tennessee, in an effort to expand the brand's footprint in the state, in addition to purchasing three units in the Chattanooga, TN area.

EXHIBIT H TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA**

1. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**
2. THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT AT LEAST 14 DAYS PRIOR TO EXECUTION OF AGREEMENT.
3. The following are added as additional RISK FACTORS to the “Special Risks to Consider About This Franchise” cover page of the Disclosure Document:

YOU WILL NOT RECEIVE AN EXCLUSIVE TERRITORY. YOU MAY FACE COMPETITION FROM OTHER FRANCHISEES, FROM OUTLETS THAT WE OWN, OR FROM OTHER CHANNELS OF DISTRIBUTION OR COMPETITIVE BRANDS THAT WE CONTROL.

THE FRANCHISE AGREEMENT AND DEVELOPMENT RIDER CONTAIN PROVISIONS THAT LIMIT FRANCHISEE’S RIGHTS AND MAY NOT BE ENFORCEABLE IN CALIFORNIA INCLUDING BUT NOT LIMITED TO A TIME LIMIT TO RAISE CLAIMS AGAINST THE FRANCHISOR, LIMITATION OF DAMAGES AND WAIVER OF JURY TRIAL.

4. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.
5. The highest interest rate allowed by law for Late Payments in the State of California is 10% annually.
6. The following paragraphs are added at the end of Item 17 of the Disclosure Document:

California Law Regarding Termination, Non-renewal, and Transfer. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, non-renewal, and transfer of a franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.

Post-Termination Noncompetition Covenants. The Franchise Agreement contains a covenant not to compete that extends beyond the termination of the franchise. This provision might not be enforceable under California law.

Liquidated Damages for Violation of Non-Competition Provision. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

Governing Law and Venue. For franchisees operating outlets located in California, the California Franchise Investment Law and California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.

Termination Upon Bankruptcy. The Franchise Agreement provides for termination upon insolvency, bankruptcy, or re-organization. This provision might not be enforceable under federal bankruptcy law (11 U.S.C.A. Sections 101 et seq.).

Material Modification. Before the franchisor can ask you to materially modify your existing franchise agreement, Section 31125 of the California Corporations Code requires the franchisor to file a material modification application with the Department that includes a disclosure document showing the existing terms and the proposed new terms of your franchise agreement. Once the application is registered, the franchisor must provide you with that disclosure document with an explanation that the changes are voluntary.

Release. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 through 31516). Business and Professions Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043).

7. OUR WEBSITE, www.handandstone.com, HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.
8. California's Franchise Investment Law (Corporations Code section 31512) states as follows: "Any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this law or any rule or order hereunder is void."
9. Franchisees must sign a personal guarantee, making you and your spouse individually liable for your financial obligations under the agreement if you are married. The guarantee will place your and your spouse's marital and personal assets at risk, perhaps including your house, if your franchise fails.
10. California's Franchise Investment Law (Corporations Code section 31512.1) states as follows: "Any provision of a franchise agreement, franchise disclosure document, acknowledgment, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable:
 - (a) Representations made by the franchisor or its personnel or agents to a prospective franchisee.
 - (b) Reliance by a franchisee on any representations made by the franchisor or its personnel or agents.
 - (c) Reliance by a franchisee on the franchise disclosure document, including any exhibit thereto.
 - (d) Violations of any provision of this division.

11. 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN CALIFORNIA**

1. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.
2. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 U.S.C.A. Sec. 101 et seq.).
3. The Franchise Agreement contains covenants not to compete which extend beyond the termination of the Franchise, and indemnification for the indemnitied's own negligence, breach of contract, breach of warranty, and strict liability. These provisions may not be enforceable under California law.
4. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, non-renewal, and transfer of a franchise. If the Franchise Agreement contains any provision that is inconsistent with the law, the law will control.
5. The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.
6. For franchisees operating outlets located in California, the California Franchise Investment Law and the California Franchise Relations Act will apply regardless of the choice of law or dispute resolution venue stated elsewhere. Any language in the Franchise Agreement or any amendment thereto or any agreement to the contrary is superseded by this condition.
7. The following provision applies only to franchisees and franchises that are subject to the state franchise disclosure laws in California:

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 any 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 hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF HAWAII**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Hawaii for Hand and Stone's Franchise Disclosure Document:

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.

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF REGULATORY AGENCIES OR A FINDING BY THE DIRECTOR OF REGULATORY AGENCIES THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

**ADDENDUM TO FRANCHISE AGREEMENT
FOR USE IN HAWAII**

1. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.
2. 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 any 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 hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF ILLINOIS**

1. The following item is required to be included within the Disclosure Document and shall be deemed to supersede the language that is in the Disclosure Document itself:

Section 4 of the Illinois Franchise Disclosure Act (“Act”) dictates that “any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State.” Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

2. 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.

3. Your rights upon termination and non-renewal of a Franchise Agreement (or Development Agreement) are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

4. 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 applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on behalf of the Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

5. Illinois law governs the Franchise Agreement.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF ILLINOIS**

1. Section 22.1 provides that the law of Pennsylvania shall govern. However, the foregoing choice of law should not be considered a waiver of any right conferred upon you by the provisions of the Illinois Franchise Disclosure Act of 1987 and the Rules and Regulations under the Act with respect to the offer and sale of a franchise and the franchise relationship. Where required under Illinois law, the laws of the State of Illinois will govern.

2. Section 22.3 of the Franchise Agreement is amended to comply with Section 27 of the Act to allow any and all claims and actions arising out of or relating to this Agreement, the relationship of Franchisor and Franchisee or Franchisee's operation of the Franchise brought by Franchisee against Franchisor shall be commenced within three (3) years from the occurrence of the facts giving rise to such claim or action, within one (1) year after the Franchisee becomes aware of the facts or circumstances indicating Franchisee may have a claim for relief, or ninety (90) days after delivery to Franchisee of a written notice disclosing the violation, whichever expires first, or such claim or action will be barred.

3. Section 22.6 of the Franchise Agreement is hereby amended in accordance with the following:

Section 4 of the Illinois Franchise Disclosure Act ("Act") dictates that "any provision in the franchise agreement which designates jurisdiction or venue in a forum outside of this State is void with respect to any cause of action which otherwise is enforceable in this State, provided that a franchise agreement may provide for arbitration in a forum outside of this State." Therefore, the Act supersedes any contrary provisions contained in the Franchise Agreement.

4. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

5. Your rights upon termination and non-renewal of a Franchise Agreement (or Development Agreement) are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

6. 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.

7. The Franchise Agreement is amended to state the following: "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 (a) 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 hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA**

1. 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.
2. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7-1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.
3. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
4. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

1. The Franchise Agreement is amended to state the following: “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 (a) 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.”
2. Under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Section 22.6 of the Franchise Agreement.
3. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.
4. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Maryland for Hand and Stone's Franchise Disclosure Document.

1. Item 5 of the Franchise Disclosure Document is hereby supplemented with the following:

Based on our financial statements, the Maryland Securities Commissioner requires that we post a surety bond. We have secured a surety bond in the amount of \$79,000.00 from the Selective Insurance Company of America to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Maryland Securities Division.

2. Item 11 of the Franchise Disclosure Document shall be amended to state that a franchisee may obtain an accounting of the advertising fund by requesting same in a written request to Franchisor.

3. Item 17 of the Franchise Disclosure Document shall be amended to state any general release signed as a condition to renewal, sale, assignment, or transfer of these agreements shall not release Franchisor from any liability imposed by the Maryland Franchise Registration and Disclosure Law.

4. Item 17 of the Franchise Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Item 17 of the Franchise Disclosure Document is hereby amended to provide that you may file a lawsuit alleging a cause of action arising under the Maryland Franchise Registration and Disclosure Law in any court of competent jurisdiction within the State of Maryland.

6. Item 17 of the Franchise Disclosure Document is hereby amended to provide that the provision in the franchise agreement which provides for termination upon bankruptcy of the franchisee may not be enforceable under Federal Bankruptcy Law (11 U.S.C. Section 1010 et seq.)

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.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Maryland for Hand and Stone's Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq.*).

2. The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. This amends Articles 4 and 18 of the Franchise Agreement.

3. A franchisee may sue/bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 3.1 of the Franchise Agreement is amended to provide:

Based on Franchisor's financial statements, the Maryland Securities Commissioner requires that we post a surety bond. We have secured a surety bond in the amount of \$79,000.00 from the Selective Insurance Company of America to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Maryland Securities Division.

6. Section 21.5 of the Franchise Agreement is amended to clarify that nothing in the Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

5. Section 22.3 of the Franchise Agreement is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

7. The Franchise Agreement is amended to state that all representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

8. The Franchise Agreement is amended to state the following: "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."

9. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

10. The following language is added to the end of Section 22.7 of the Franchise Agreement:

This Franchise Agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is an unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

11. 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.

12. The following language is added to the end of Section 22.1 of the Franchise Agreement:

However, subject to the parties' arbitration obligations, Franchisee may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
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 franchises.
- (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 this act. 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 provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (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 franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than five (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 six (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 this state. 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) Failure of the proposed transferee 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.

Any questions regarding this notice should be directed to:

State of Michigan
Office of the Attorney General
Consumer Protection Division
Attention: Franchise Section
670 Law Building
525 West Ottawa Street
Lansing, Michigan 48913
Telephone Number: (517) 373-7117

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MICHIGAN**

1. No statement, questionnaire or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of Minnesota for Hand and Stone's Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

1. Section 22.1 of the Franchise Agreement is amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee's right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Section 22.3 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

3. Section 22.5 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

4. Section 22.6 of the Franchise Agreement is amended by the addition of the following language to the original language that appears therein:

However, nothing in this Section shall abrogate or reduce any of Franchisee's rights under Minnesota Statutes Chapter 80C or Franchisee's right to any procedure, forum or remedies that the laws of the jurisdiction provide.

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

5. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

6. The Franchise Agreement is amended to state the following: “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 (a) 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.”

7. Notwithstanding anything to the contrary set forth in the Franchise Agreement, Minn. Rule 2860.400(J) prohibits Franchisee from consenting to Franchisor obtaining injunctive relief (including any bond requirement).

8. Notwithstanding anything to the contrary set forth in Section 3.8 of the Franchise Agreement, if there are insufficient funds in Franchisee's account to cover any payment due to Franchisor

Franchisee shall pay to Franchisor an “Insufficient Funds Fee” in the amount of \$30 for each instance where a payment is not honored by Franchisee’s financial institution.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

**ADDENDUM TO DISCLOSURE DOCUMENT
FOR THE STATE OF MINNESOTA**

1. Item 13 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

“In accordance with applicable requirements of Minnesota law, Franchisor shall protect Franchisee’s right to use the trademarks, service marks, trade names, logotypes or other commercial symbols and/or shall indemnify Franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding such use.”

2. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

“Minnesota law provides franchisees with certain termination and non-renewal rights. Minnesota Stat. Sec. 80C.14, Subd.3, 4 and 5 require, 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 Disclosure Document.”

3. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

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

4. Item 17 of the Disclosure Document is amended by the addition of the following language to the original language that appears therein:

“Minn. Rule 2860.4400D prohibits us from requiring you to assent to a general release.”

5. The row entitled “Insufficient Funds Processing Fee” in the table in Item 6 of the disclosure document shall be replaced with the following in order to meet the requirements of Minnesota Statute 604.113:

Insufficient Funds Fee	\$30	Upon Demand	If there are insufficient funds in your bank account to cover each payment to us, including any Royalty Fees, Marketing Fund Contributions, and/or Local Advertising Fees, you must pay us an Insufficient Funds Fee.
------------------------	------	-------------	---

6. The Disclosure Document is amended by the addition of the following language to the original language that appears therein:

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 (a) 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.

7. The Disclosure Document is amended by the addition of the following language to the original language that appears therein:

Notwithstanding anything to the contrary set forth in the Franchise Agreement, Minn. Rule 2860.400(J) prohibits Franchisee from consenting to Franchisor obtaining injunctive relief (including any bond requirement).

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

The following Items are required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

1. The following information is added to cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR 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 ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. 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 THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added to the end of Item 3:

Except as provided above, neither we, our predecessor, a person identified in Item 2 of this Disclosure Document, nor an affiliate offering franchises under our principal trademark:

Has pending any administrative, criminal or civil action alleging a felony, violation of any franchise law, antitrust law, or securities law, fraud, embezzlement, fraudulent conversion, unfair or deceptive practices, misappropriation of property or comparable civil or misdemeanor allegations;

Has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations;

Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 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 any franchise law, antitrust law, or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices, or comparable allegations; or

Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any

national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following language is added to the end of the “Summary” sections of Item 17(c) titled “Requirements for a 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; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. 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.

5. 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.

6. Receipts - Any sale made must be in compliance with §683(8) of the Franchise Sale Act (N.Y. Gen Bus. L. §680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

7. 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE DEPARTMENT OF LAW OF THE STATE OF NEW YORK**

In recognition of the requirements of Article 33 of the General Business Law of the State of New York, the parties to the Hand and Stone Franchise LLC Franchise Agreement agree as follows:

1. Section 22.1 of the Franchise Agreement will be supplemented by adding the following language at the end of the Section:

provided, however, that all rights enjoyed by Franchisee and any causes of action arising in franchisee's 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 provision that the nonwaiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied;
2. Section 18.1 is amended by adding the following statement at the end of such Section:

However, no assignment shall be made except to an assignee who, in Franchisor's good faith judgment, is willing and able to assume Franchisor's obligations under this Agreement.
3. Nothing in Section 16 prevents you from asserting your rights under common law to terminate the Franchise Agreement if we commit a material breach of the Franchise Agreement.
4. Section 22.1 is amended by adding the following statement to the end of such Article:

The foregoing choice of law should not be considered a waiver of any right conferred upon Franchisee by the GBL of the State of N.Y., Article 33.
5. The Franchise Agreement is amended to state the following: "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 (a) 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. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

[SIGNATURES ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY NORTH DAKOTA**

1. No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

2. **Non-Competition.** The following language is added to the end of Section 17.2 of the Franchise Agreement:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, we and you acknowledge and agree to the enforcement of these provisions to the extent enforceable under the law.

3. **Releases.** The following language is added to the end of Section 4.2(i), Section 18.2(c) and Section 18.2(f) of the Franchise Agreement:

Any release will not apply to the extent otherwise prohibited by applicable law with respect to claims arising under the North Dakota Franchise Investment Law.

4. **Governing Law.** The following language is added to the end of Section 22.1 of the Franchise Agreement:

HOWEVER, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA FRANCHISE INVESTMENT LAW, NORTH DAKOTA LAW APPLIES TO THIS AGREEMENT.

5. **Limitations of Claims.** The following is added to the end of Section 22.3 of the Franchise Agreement:

The time limitations set forth in this subparagraph might be modified by the North Dakota Franchise Investment Law.

6. **Limitations on Legal Actions.** The first sentence of Section 22.4 is hereby deleted to the extent required by the North Dakota Franchise Investment Law.

7. **Waiver of Jury Trial.** Section 22.5 is deleted if and to the extent required by the North Dakota Investment Law.

8. **Consent to Jurisdiction.** The following language is added to the end of Section 22.7 of the Franchise Agreement:

HOWEVER, TO THE EXTENT REQUIRED BY THE NORTH DAKOTA
FRANCHISE INVESTMENT LAW, YOU MAY BRING AN ACTION IN
NORTH DAKOTA.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF NORTH DAKOTA**

1. The following language is added to the end of the “Summary” section of Item 17(c) of the Franchise Agreement Table and Item 17(m) of the Franchise Agreement Table:

However, any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the North Dakota Franchise Investment Law.
2. The following language is added to the end of the “Summary” section of Item 17(r) of the Franchise Agreement Table:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota. However, we will seek to enforce them to the extent enforceable.
3. The following language is added to the end of the “Summary” section of Item 17(v) of the Franchise Agreement Table:

except that to the extent required by the North Dakota Franchise Investment Law, you may bring an action in North Dakota.
4. The “Summary” section of Item 17(w) of the Franchise Agreement Table is deleted and replaced with the following:

Pennsylvania law applies, except to the extent otherwise required by the North Dakota Franchise Investment Law, North Dakota law applies.
5. No statement, questionnaire or acknowledgment signed or agreed to by you 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 us, any franchise seller, or any other person acting on behalf of us. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF RHODE ISLAND**

In recognition of the requirements of the State of Rhode Island Franchise Investment Act (the “Act”), §19-28.1 *et seq.*, the Franchise Disclosure Document submitted by HAND AND STONE FRANCHISE LLC, for use in the State of Rhode Island is amended as follows:

1. Item 17 u.- Dispute resolution by arbitration or mediation shall comply with §19-28.1-21 of the Act - Private civil actions - and be amended to read:
 - (a.) A person who violates any provision of this Act is liable to the franchisee for damages, costs, and attorneys and experts fees. In the case of a violation of §§ 19-28.1-5, 19-28.1-8, or 19-28.1-17(1)-(5), the franchisee may also sue for rescission. No person shall be liable under this section if the defendant proves that the plaintiff knew the facts concerning the violation.
 - (b) Every person who directly or indirectly controls a person liable under this section, every principal executive officer or director of the liable person, every person occupying a similar status or performing similar functions, and every agent or employee of a liable person, who materially aids in the act or transaction constituting the violation, is also liable jointly and severally with and to the same extent as the person liable under this section, unless the agent, employee, officer, or director proves he or she did not know, and in the exercise of reasonable care could not have known of the existence of the fact by reason of which the liability is alleged to exist.
2. Item 17 v. - Choice of forum and Item 17 w. - Choice of law shall comply with § 19-28.1-14 of the Act - Jurisdiction and venue - and be amended to read:

A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.

3. 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 any other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF RHODE ISLAND**

1. The following language is added to the end of Section 22.1 of the Franchise Agreement:

Notwithstanding the foregoing, to the extent required by applicable law, Rhode Island law will apply to claims arising under the Rhode Island Franchise Investment Act.

2. The following language is added to the end of Section 22.7 of the Franchise Agreement:

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

To the extent required by applicable law, you may bring an action in Rhode Island for claims arising under the Rhode Island Franchise Investment Act.

3. 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 any 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 hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF SOUTH DAKOTA**

This will serve as the State Addendum for Hand and Stone Franchise LLC for the State of South Dakota for Hand and Stone's Franchise Disclosure Document:

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.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF SOUTH DAKOTA**

1. No statement, questionnaire or acknowledgment signed or agreed to by 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 Franchisor, any franchise seller, or any other person acting on behalf of Franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20__.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
REQUIRED FOR THE COMMONWEALTH OF VIRGINIA**

1. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hand and Stone Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 12.

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

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

2. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Hand and Stone Franchise LLC for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure. The following statements are added to Item 17.h.

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.

3. The proposed agreements described in Item 22, including all agreements that a franchisee must sign, are accurately presented in this Disclosure Document.

4. 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.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED FOR THE COMMONWEALTH OF VIRGINIA**

1. The Franchise Agreement is amended to state the following: “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 (a) 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.”

2. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

3. The following provision supersedes any conflicting provision in the Franchise Agreement:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act (the “**Virginia 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 do not constitute reasonable cause, as that term may be defined in the Virginia Act or the laws of Virginia, that provision may not be enforceable.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT
AS REQUIRED BY THE STATE OF WASHINGTON**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the Franchise Disclosure Document regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the

franchise is terminated for good cause.

Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is

inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a “franchise broker” is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Assurance of Discontinuance. To resolve an investigation by the Washington Attorney General and without admitting any liability, we have entered into an Assurance of Discontinuance (“AOD”) with the State of Washington dated October 7, 2019, where we affirmed that we already removed from our form franchise agreement any provision which restricted a franchisee from soliciting and/or hiring the employees of our other franchisees, which the Attorney General alleges violated Washington state and federal antitrust and unfair practices laws. We have agreed, as part of the AOD, to not enforce any such provisions in any existing franchise agreement, to not include any such provisions in future franchise agreements, to request that our Washington franchisees amend their existing franchise agreements to remove such provisions, and to notify our franchisees about the entry of the AOD. In addition, the State of Washington did not assess any fines or other monetary penalties against us.

Surety Bond. We have secured a surety bond in the amount of \$100,000.00 from the Fidelity and Deposit Company of Maryland to ensure fulfillment of all of our pre-opening obligations to you under the Franchise Agreement. The surety bond is on file with the Washington Department of Financial Institutions.

**ADDENDUM TO THE HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT AS REQUIRED BY THE STATE OF WASHINGTON**

The provisions of this Addendum form an integral part of, are incorporated into, and modify the franchise agreement, and all related agreements regardless of anything to the contrary contained therein. This Addendum applies if: (a) the offer to sell a franchise is accepted in Washington; (b) the purchaser of the franchise is a resident of Washington; and/or (c) the franchised business that is the subject of the sale is to be located or operated, wholly or partly, in Washington.

Conflict of Laws. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, chapter 19.100 RCW will prevail.

Franchisee Bill of Rights. RCW 19.100.180 may supersede provisions in the franchise agreement or related agreements concerning your relationship with the franchisor, including in the areas of termination and renewal of your franchise. There may also be court decisions that supersede the franchise agreement or related agreements concerning your relationship with the franchisor. Franchise agreement provisions, including those summarized in Item 17 of the Franchise Disclosure Document, are subject to state law.

Site of Arbitration, Mediation, and/or Litigation. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

General Release. A release or waiver of rights in the franchise agreement or related agreements purporting to bind the franchisee to waive compliance with any provision under the Washington Franchise Investment Protection Act or any rules or orders thereunder is void except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2). In addition, any such release or waiver executed in connection with a renewal or transfer of a franchise is likewise void except as provided for in RCW 19.100.220(2).

Statute of Limitations and Waiver of Jury Trial. Provisions contained in the franchise agreement or related agreements that unreasonably restrict or limit the statute of limitations period for claims under the Washington Franchise Investment Protection Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer Fees. Transfer fees are collectable only to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Termination by Franchisee. The franchisee may terminate the franchise agreement under any grounds permitted under state law.

Certain Buy-Back Provisions. Provisions in franchise agreements or related agreements that permit the franchisor to repurchase the franchisee's business for any reason during the term of the franchise agreement without the franchisee's consent are unlawful pursuant to RCW 19.100.180(2)(j), unless the franchise is terminated for good cause.

Fair and Reasonable Pricing. Any provision in the franchise agreement or related agreements that requires the franchisee to purchase or rent any product or service for more than a fair and reasonable price is unlawful under RCW 19.100.180(2)(d).

Waiver of Exemplary & Punitive Damages. RCW 19.100.190 permits franchisees to seek treble damages under certain circumstances. Accordingly, provisions contained in the franchise agreement or elsewhere requiring franchisees to waive exemplary, punitive, or similar damages are void, except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel, in accordance with RCW 19.100.220(2).

Franchisor's Business Judgement. Provisions in the franchise agreement or related agreements stating that the franchisor may exercise its discretion on the basis of its reasonable business judgment may be limited or superseded by RCW 19.100.180(1), which requires the parties to deal with each other in good faith.

Indemnification. Any provision in the franchise agreement or related agreements requiring the franchisee to indemnify, reimburse, defend, or hold harmless the franchisor or other parties is hereby modified such that the franchisee has no obligation to indemnify, reimburse, defend, or hold harmless the franchisor or any other indemnified party for losses or liabilities to the extent that they are caused by the indemnified party's negligence, willful misconduct, strict liability, or fraud.

Attorneys' Fees. If the franchise agreement or related agreements require a franchisee to reimburse the franchisor for court costs or expenses, including attorneys' fees, such provision applies only if the franchisor is the prevailing party in any judicial or arbitration proceeding.

Noncompetition Covenants. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provision contained in the franchise agreement or elsewhere that conflicts with these limitations is void and unenforceable in Washington.

Nonsolicitation Agreements. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

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.

Prohibitions on Communicating with Regulators. Any provision in the franchise agreement or related agreements that prohibits the franchisee from communicating with or complaining to regulators is inconsistent with the express instructions in the Franchise Disclosure Document and is unlawful under RCW 19.100.180(2)(h).

Advisory Regarding Franchise Brokers. Under the Washington Franchise Investment Protection Act, a "franchise broker" is defined as a person that engages in the business of the offer or sale of franchises. A franchise broker represents the franchisor and is paid a fee for referring prospects to the franchisor and/or selling the franchise. If a franchisee is working with a franchise broker, franchisees are advised to carefully evaluate any information provided by the franchise broker about a franchise.

Liquidated Damages. Section 17.7 of the Franchise Agreement is revised to omit the following language: "Franchisee and each of its Owners agree that the liquidated damages provision does not give Franchisor an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section."

Transfer. Section 18.2(k) of the Franchise Agreement is amended to include the following language: “, provided, however, that this provision is not intended to apply to statements made or information provided by Franchisor to the third party.”

Acknowledgments. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6, and Sections 23.8 and 23.9 do not apply to claims arising under the Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

The undersigned does hereby acknowledge receipt of this addendum.

ATTEST

Witness

HAND AND STONE FRANCHISE LLC

By:_____

Name:_____

Title:_____

FRANCHISEE:

Witness

Witness

**AMENDMENT TO HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF WISCONSIN**

This Amendment shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Franchise Agreement to be contrary, the Agreements shall be amended as follows:

1. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisor and franchisee inconsistent with the Law.
2. The Franchise Agreement is amended to state the following: “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 (a) 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.”
3. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By: _____
Name: _____
Title: _____

FRANCHISEE:

Witness

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF WISCONSIN**

For franchises and franchisees/developers subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the Hand and Stone Franchise LLC Wisconsin Franchise Disclosure Document.

Item 17.

For Wisconsin franchisee/developers, ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and franchisee inconsistent with the Law.

EXHIBIT I TO THE DISCLOSURE DOCUMENT
SOFTWARE SUBLICENSE AGREEMENT

SUBLICENSE AGREEMENT

[TO BE REVIEWED BY LICENSEE; MATERIAL REVISIONS SUBJECT TO LICENSOR'S APPROVAL]

This Sublicense Agreement ("Agreement" or "License"), dated __, 20__, is made by and between Hand and Stone Franchise LLC, a New Jersey limited liability company ("Sublicensor"), and _____ ("Sublicensee").

RECITALS

A. Sublicensor is the franchisor of the Hand and Stone Franchise LLC massage and facial spa franchises. Sublicensor has licensed (with a right to sub-license) certain software for use in the operation of Hand and Stone Franchise LLC franchisees (the "Software"), which license is granted by the owner of the Software (the "Master Licensor") upon the terms and condition set forth in the agreement between the Master Licensor and Sublicensor; and

B. Sublicensee has entered into a franchise agreement to operate a spa franchise (the "Franchise Agreement"); and

C. The Software is required for the operation of a spa franchise; and

D. Pursuant to the Franchise Agreement, Sublicensee is required to execute this Agreement and obtain a license to use the Software; and

E. Sublicensor wishes to grant certain rights and licenses to Sublicensee with respect to the Software, and Sublicensee wishes to obtain such rights and licenses with respect to the Software, on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Services. Sublicensor hereby grants Sublicensee a non-exclusive, non-transferable, revocable, non-sublicenseable license to use the Software exclusively for the internal operations of a spa franchise and for no other purpose. Sublicensor shall provide all documentation for the operation of the Software.

2. Term. Unless sooner terminated, the term of this Agreement and of the sublicense granted herein will begin on the Effective Date and continue until the expiration or termination of the Franchise Agreement ("Term"). If Sublicensee enters into a successor franchise agreement with Sublicensor, then Sublicensee must execute the then current form of sublicense agreement and comply with all terms and conditions set forth in the then current form of sublicense agreement. The Sublicensee acknowledges that the terms and conditions of the then current form of sublicense agreement may be substantially different from the terms and conditions of this

Agreement including without limitation, with respect to fees.

3. Technical Requirements. Sublicensee agrees to comply with the applicable hardware, software and other technical and pre-setup requirements for Sublicensee's use of the Software as the Sublicensor or its licensor may establish from time to time during the Term.

4. Software Support.

(a) Sublicensor shall provide technical support for the Software during normal business hours Monday through Friday. If additional support is needed during non-business hours, Sublicensor may provide such support at an additional fee to Licensee, availability permitting. Sublicensor may contract with third parties to provide any or all maintenance and support services specified in this Agreement. If, in Sublicensor's judgment it is not commercially feasible to provide any maintenance or support services, Sublicensor may terminate any or all of such support or maintenance services.

(b) Certain locations may be susceptible to power outages and/or fluctuations that can cause a computer to crash or shut down. Sublicensee is responsible for the installation and maintenance battery backups systems and data backup. Sublicensor is not responsible for any such losses of data, nor does Sublicensor assume responsibility or liability for any losses or damages arising, directly, or indirectly, from Sublicensee's improper use or maintenance of the Software or hardware.

(c) Sublicensee is responsible for installing and maintaining updated anti-virus software at all times on any hardware that runs the Software.

5. Payment.

(a) It is the express understanding of the parties that the Sublicensor shall sublicense the software to its franchisees. In consideration for the Sublicense and the services to be performed hereunder, Sublicensee shall pay Sublicensor a monthly fee of \$587.00 dollars (the "Monthly Maintenance Fee") for each franchise location Sublicensee owns or operates. This Monthly Maintenance Fee may increase by a minimum of 3% percent on the first day of each calendar year thereafter, for each franchise location Sublicensee owns or operates, throughout the term of this Agreement.

(b) All applicable fees are to be paid to Sublicensor via an ACH bank transfer, due on the 1st day of each month or by the morning of the next business day. Any fees not received will be assessed a late fee penalty of 1.5% per month or, if lower, the highest rate permitted under applicable law, until said fees are paid in full.

(c) The Sublicensee will not, on grounds of the alleged nonperformance by Sublicensor of any of its obligations or for any other reason, withhold payment of any Software License Fees or payments due to Sublicensor pursuant to this Agreement or pursuant to any other contract, agreement or obligation. The Sublicensee will not have the right to "offset" any liquidated or unliquidated amounts, damages or other sums allegedly due to the Sublicensee by Sublicensor against any payments due to Sublicensor under this Agreement.

(d) If Sublicensor authorizes a sale of Sublicensee's franchise to a third party ("Transferee") Sublicensee must notify the Transferee that it will be obligated to enter into a new sublicense agreement with Sublicensor, and that a license transfer fee of \$300 dollars will be required to be paid to Sublicensor.

(e) For purposes of this Agreement, software setup fees and Monthly Maintenance Fees will be collectively referred to as "Software License Fees." The Sublicensee acknowledges that it has agreed, pursuant to the Franchise Agreement, to obtain and maintain at all times such computer equipment and software (including without limitation, the most current version of the Software) as may from time to time be required by Sublicensor for use in the operation of the Licensee's franchise. The Sublicensee further acknowledge that future changes in technology and the opportunity and need to meet and surpass competition may necessitate that Sublicensor upgrade the Software License Fees due hereunder to amounts reasonably sufficient to cover the costs such upgrade and a reasonable return to Sublicensor on its investment in and administration of such upgrade. The Sublicensee further acknowledges that any upgrade to the Software may necessitate upgrades in the Sublicensee's hardware and third-party software required to operate the Software, which may result in additional costs or fees payable by the Sublicensee.

6. Access to Software and Information. The Sublicensee agrees that Sublicensor will at all times have the right to access the Software and its data, by modem, print-out of data or any other means selected by Sublicensor, for purposes of obtaining financial, sales, customer, listing, business, supplier, teaching and all other data and information contained, resident or otherwise available in the Sublicensee's computer system, for purposes of verifying compliance by the Sublicensee with the terms of this Agreement or the Franchise Agreement, and for such other purposes as may be determined by Sublicensor, in its absolute, exclusive and unrestricted judgment. Sublicensor will have the right to retain and use any information obtained by accessing the Software licensed to Sublicensee for any purposes deemed appropriate by Sublicensor, in its absolute, exclusive and unrestricted judgment.

7. Sublicensee Training. Sublicensor shall conduct training session pursuant to the guidelines set forth in the Franchise Agreement. In addition, Sublicensee shall attend mandatory ongoing training sessions, at times and at such locations as Sublicensor shall establish.

8. Ownership. Sublicensee acknowledges that Sublicensor has the sole right to license and control Sublicensee's use of the Software. Sublicensee acknowledges that it has no ownership right into any data or information generated by the Software, including customer lists, customer data and other sales information. Sublicensee further acknowledges that it does not acquire any right, title or interest in the Software except as set forth herein. Master Licensor specifically retains all right, title and interest in and to all proprietary and intellectual property rights in and to the Software, including without limitation, trade secrets, data, customer lists, copyrights, trademarks, patents, functionality and business methodology embodied therein, and the like. All rights not expressly granted to Sublicensee herein are specifically reserved to Sublicensor and Master Licensor, as applicable. Upon termination of this Agreement, Sublicensee shall have no right to utilize the Software or any data generated by the Software.

9. Restrictions on Use.

(a) Sublicensee may not decompile, reverse compile, reverse engineer, reverse assemble or otherwise derive a source code equivalent for the Software. Sublicensee may not bypass or breach any security device or protection used on the Software. In addition, Sublicensee may not copy the Software without the Licensor's written consent. Sublicensee may not download any portion of the Software except as the Sublicensor may expressly permit or instruct. Sublicensee may not permit any third-party access to the Software, and may use the Software only on computers for which Sublicensee controls access to the Software. Sublicensee may not assign, transfer, sell, rent, license, sublicense, or grant any rights to or interests in the Software to any corporation, partnership or other business entity or any other person. Sublicensee may not, at any time, use or exploit or authorize any third party to use or exploit, any of the Software's content or data for the purpose of unfairly competing against any other Hand and Stone Franchisee or violating the privacy rights of any customers or employees of other franchisees. Sublicensee may not knowingly or through gross negligence input, upload, transmit or otherwise provide to or through the Software, any virus, worm, malware, spyware or other malicious computer code, computer instruction, device or technique that can or was designed to permit unauthorized access to, or to destroy, disrupt, disable, damage, distort, or otherwise harm or impede the Software or any computer, hardware, system or network, or any content or data. Sublicensee will comply with all terms and conditions packaged or accompanying any third-party software furnished to Licensee under this Agreement.

(b) Sublicensee is prohibited from printing or copying (including, without limitation, for back-up, training, testing or disaster recovery), in whole or in part, the Software except to the extent expressly permitted in advance in writing by Sublicensor, which permission Sublicensor may withhold in its sole discretion. Any back-up training, testing or disaster recovery system intended to be or used by Sublicensee must be approved in advance in writing by Sublicensor, which approval Sublicensor may withhold in its sole discretion. Sublicensee acknowledges and agrees that any and all diskettes, CDs or any other physical embodiments or media, including, but not limited to, authorized and unauthorized copies, of the Software are the sole and exclusive property of the Master Licensor. Any authorized copies of the Software must contain appropriate proprietary and trade secret, copyright, trademark or other applicable legends as designated by Licensor. Sublicensee shall not use the name of Software or refer to Software directly or indirectly in any papers, articles, advertisements, sales presentations, news releases or releases to any third party without the prior written approval of Sublicensor for each such use. You may not release the results of any performance or functional evaluation of any portion of the Licensed Software to any third party.

10. Exclusion of Warranties. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, SUBLICENSOR DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS OR IMPLIED, ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE SOFTWARE, OR ANY COMPONENT OF THE FOREGOING, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES REGARDING QUALITY, CORRECTNESS, COMPLETENESS, COMPREHENSIVENESS, SUITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR OTHERWISE (IRRESPECTIVE OF ANY COURSE OF DEALING, CUSTOM OR USAGE OF TRADE), OR ANY REPRESENTATION THAT THE SOFTWARE WILL MEET SUBLICENSEE'S

REQUIREMENTS OR THAT THE SUBLICENSEE'S OR ANY AUTHORIZED USER'S USE THEREOF WILL BE UNINTERRUPTED OR ERROR-FREE, EACH OF WHICH IS HEREBY EXCLUDED BY AGREEMENT OF THE PARTIES.

11. Limitation of Liability. SUBLICENSOR SHALL HAVE NO LIABILITY TO SUBLICENSEE OR TO ANY APPROVED FRANCHISEE WITH RESPECT TO SUBLICENSOR'S OBLIGATIONS UNDER THIS AGREEMENT OR OTHERWISE FOR CONSEQUENTIAL, EXEMPLARY, SPECIAL, INDIRECT, INCIDENTAL OR PUNITIVE DAMAGES, OR ANY LOSS OF PROFIT, REVENUE, DATA OR GOODWILL, WHETHER INCURRED OR SUFFERED AS A RESULT OF ANY ERRORS, DEFECTS OR NON-FUNCTIONING OF THE SOFTWARE PRODUCTS OR OTHERWISE, EVEN IF SUBLICENSOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL SUBLICENSOR'S AGGREGATE LIABILITY HEREUNDER FOR ANY CAUSE IN ANY CALENDAR YEAR ARISING OUT OF OR RELATED TO SUBLICENSOR'S PERFORMANCE OR NON-PERFORMANCE UNDER THIS AGREEMENT OR OTHERWISE EXCEED THE AMOUNT OF THE MONTHLY MAINTENANCE FEES PAID HEREUNDER TO LICENSOR IN THE CALENDAR YEAR IN WHICH SUCH DIRECT DAMAGES ARE INCURRED. THIS LIMITATION APPLIES TO ALL CAUSES OF ACTION OR CLAIMS IN THE AGGREGATE INCLUDING WITHOUT LIMITATION, BREACH OF CONTRACT, BREACH OF LIMITED WARRANTY, NEGLIGENCE, STRICT LIABILITY, MISREPRESENTATION AND OTHER TORTS.

12. Remedies for Third Party Infringement. In the event the Software is held by any court of competent jurisdiction to infringe the rights of a third party or to violate a patent, and its use is enjoined, Sublicensor shall have the obligation, at its expense, to (i) modify the infringing Software, without impairing in any material respect its functionality, so that it is non-infringing or non-violative, or (ii) procure for Sublicensee the right to continue to use the infringing Software for any remaining unexpired portion of the Term, or (iii) replace the infringing Software with equally suitable non-infringing software. The foregoing is Sublicensee's sole remedy for infringement. If Sublicensor is unable to make any of the foregoing alternatives available to Sublicensee, Sublicensee shall receive a rebate of a prorated portion of the License fee charged hereunder, representing the fee due for the remaining unexpired portion of the Term.

13. Confidentiality; Non-Disclosure. Sublicensee agrees that the Software contains valuable proprietary information and that, except for those rights conveyed in this Agreement, Sublicensee retains no ownership rights in the Software. During the term of this Agreement, Sublicensee shall maintain the confidentiality of this information and not disclose the same to any third party or use it except as authorized by this Agreement. Sublicensee shall have no obligation of confidentiality or non-use with regard to information which (i) is or becomes a part of the public domain through no act or omission of Sublicensee, (ii) was in the Sublicensee's lawful possession prior to the disclosure thereto and had not been obtained by Sublicensee either directly or indirectly from Sublicensor, (iii) is lawfully disclosed to Sublicensee by a third party without restrictions on disclosure, (iv) is independently developed by Sublicensee, or (v) is required to be disclosed by law.

14. Termination. This Agreement shall automatically terminate upon the termination or expiration of the Franchise Agreement. The Sublicensor may terminate this Agreement: (a)

without notice at any time if Sublicensee is in default of the Franchise Agreement or Area Representative Agreement; (b) if Sublicensee fails to pay the Monthly Maintenance Fee when due and such failure continues unremedied for five (5) days; (c) upon ten (10) days written notice of Sublicensee's failure to comply with any other term of this Agreement if such failure is not remedied within ten (10) days following such notice. In the event of termination, and without limiting Sublicensor's remedies hereunder, Sublicensee shall be responsible for payment of all past due Monthly Maintenance Fees and charges up to the date of such termination.

15. Third Party Beneficiary. Sublicensee understands, acknowledges, and agrees with Sublicensor that Master Licensor, Sublicensor, and its affiliates, assigns and designees (which may include the creator of the Software) are an intended third-party beneficiary of the terms and conditions of this Agreement.

16. Restriction on Assignment. Sublicensee may not assign its rights or delegate its duties under this Agreement without the prior written consent of Sublicensor, which may be withheld in its sole and absolute discretion. Sublicensor reserves the right to assign its rights and obligations under this Agreement to a third party.

17. Governing Law and Dispute Resolution. The parties agree that the laws of the State of Pennsylvania (without giving effect to its conflicts of law principles) govern all matters and actions arising out of or relating to this Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement. The parties further agree and attorn to the exclusive jurisdiction of the state or federal courts of the State of Pennsylvania as the venue for any claim or dispute, and expressly agree to submit to the personal jurisdiction of such courts for the purpose of litigating any claim or action in connection with this License.

18. Notices. All notices required to be given under this Agreement shall be in writing and shall be transmitted either by personal delivery, reliable overnight courier (such as Federal Express), or through the facilities of the United States Post Office, postage prepaid, certified or registered mail, return receipt requested, or by confirmed facsimile transmission. Any such notice shall be effective upon delivery, if delivered by confirmed facsimile transmission or by personal delivery or overnight courier, and 72 hours after dispatch, if mailed in accordance with the above. Notices to the respective parties shall be sent to the following addresses unless written notice of a change of address has been previously given pursuant hereto:

To Sublicensor: HAND AND STONE FRANCHISE LLC

with copy to:

To Sublicensee:

19. Waiver. No waiver or breach of any provision of this Agreement by Sublicensor will constitute a waiver of any prior, concurrent or subsequent breach of the same or any other provisions hereof, and no waiver will be effective unless made in writing and signed by an authorized representative of Sublicensor.

20. Entire Agreement. This Agreement and exhibits or addenda, along with the Franchise Agreement or Area Representative Agreement, contain the entire understanding of the parties with respect to the transactions and matters contemplated hereby and this Agreement supersedes all previous agreements concerning the subject matter. This Agreement cannot be amended except by a writing signed by both parties.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

SUBLICENSOR

HAND AND STONE FRANCHISE LLC

By: _____, its _____

SUBLICENSEE

**EXHIBIT J TO THE DISCLOSURE DOCUMENT
ARCHITECTURAL SERVICES AGREEMENT**



OWNER NAMES
LOCATION

RE: Proposal for Architectural and Engineering Services
Hand and Stone, LOCATION

Dear OWNER NAMES,

Thank you for the opportunity for HS Design, LLC (referred to as “HS Design” or “Designer”) to provide you with a proposal for the coordination of Architectural and Engineering Services for your upcoming spa in LOCATION. By being an in-house design firm solely dedicated to H&S Franchise owners, our primary focus is to provide you with accurate construction documents, professional service, and quick turnaround times, all of which are at a competitive rate.

Project Description:

The scope of work for this project will consist of tenant improvements for a new Hand and Stone location at CENTER NAME. The space is approximately ### sf.

The layout of the spa will be shown as the Concept Plan and will include the following:

- (X) Treatment Rooms, including One (1) Couple’s Treatment Room
- Reception and Waiting Area
- Office
- Two (2) Restrooms
- Employee Break Room
- Storage Closets

Spa construction will generally include metal stud walls and drywall and follow materials as dictated by local building codes.

No exterior alterations are anticipated except for a new store sign.

Scope of Services:

Schematic Design:

A Concept Plan will be created based on building shell drawings obtained from the landlord. If accurate shell drawings are not obtainable, it may be necessary for us to conduct a site survey of the premises before proceeding further. The site survey would be a flat fee of \$2,000 plus direct reimbursement for travel expenses. See *Reimbursable Expenses*.

Construction Documents: (In coordination with our consulting Design Professional(s))

Once the Concept Plan is complete and has been approved by you, the Client and Hand & Stone Franchise Corp., drawings will proceed to the Construction Document phase. Any significant changes made to the

base plan after approval are subject to additional design fees.

Construction Documents will consist of plans, elevations, details, schedules, and specifications in sufficient detail to receive building permits and for a qualified contractor's use for construction.

Construction Documents will include architectural, HVAC, plumbing and electrical design. The fire suppression and/or fire alarm will be designed by the contractor. Fire suppression scope is limited to the location of sprinkler heads as required.

HVAC design will include design of the roof top units and ductwork. Exhaust fans will be provided for the toilet rooms.

Plumbing design is limited to water and sanitary plans, details & riser diagrams.

Electrical design will include new panels, lighting, receptacles, switches, and other power requirements.

Upon the completion of the initial Construction Documents, a "check set" will be provided to you, the Client as well as the landlord for review and to provide comments. Comments will then be incorporated into the drawings prior to issuing completed permit sets.

Bidding:

H&S Director of Construction, Joe Wegrzyniak, can assist when sending the project out to bid. HS Design will be available to answer any requests for information (RFIs) from bidding contractors.

Permitting:

You will be provided with sets of signed and sealed Construction Documents for submission for permits. Payment of review or permit fees is not included in this proposal.

Once all comments are received from the building department, they will be addressed in the appropriate order to obtain plan check approval. Re-submissions will be made via your contractor. Any changes that require significant deviation from the completed drawings will be considered additional services.

This proposal does not include completion of permit forms or providing information about the building shell or site.

Base Project Fees:

The fees for the services listed above are as follows:

Architectural Services (Schematic Design and Construction Documents)	\$####
MEP Engineering Services (Construction Documents)	\$####
ComCheck Energy Calculations	Incl. in Engineering Fee
Total	\$####

Add-Alternate Fees: (only apply if accepted)

Existing Conditions Site Survey.	
Confirms as-built dimensions and existing utilities.	\$####

EARLY SIGNING INCENTIVES!!

1. RISK FREE COMMENCEMENT:

Because we want you to open and generate income as fast as possible, we urge our franchisees to begin the design & permitting process early, before the lease is signed. We understand that there is a general risk in this due to the rare possibility of lease negotiations falling through. As such, in the unlikely event that the lease doesn't execute, the fee for Architectural Services indicated above is transferable to your next location.

TEXAS PROJECTS: TAS/ TDLR*

+/- \$####

*TAS/TDLR Registration, Review and Inspection are required in the state of Texas to ensure projects meet ADA Accessibility standards. Fees are based on a local consulting firm, Otten Consulting Group. Should the landlord require use of a particular consulting firm or if you have a preference for another firm, the registration, review and inspection fee will be adjusted accordingly.

Deposit:

An initial deposit of \$2,000 is required at the commencement of our services.

Administrative Fees:

Electronic (unsigned and unsealed) sets will be provided to the Client and Hand & Stone Franchise Corporation at no additional costs. Any hard copies of drawings and/or signed and sealed digital copies required by the building department for permit review and/or by the landlord will be billed as required. Printing/postage/shipping will be charged at 1.10 times the cost. *See Reimbursable Expenses below.*

Reimbursable Fees:

Reproductions and other administrative expenses:	1.10 times cost
Travel (mileage)	current IRS rate for mileage
Travel, lodging, meals	cost

Additional Services:

Additional Services, which shall be billed in addition to this proposal, include, but are not limited to:

- Design services requested by you that are beyond the scope of the work or that deviate significantly from the initial scope of the work.
- Permit requirement research and permit application.
- Extraordinary plan check/permit comments and circumstances.
- Review of millwork shop drawings, plumbing submittals, electrical submittals, etc.
- Verification of existing conditions of the shell space.
- Site Visits.
- Environmental Remediation.
- Design and drawings for signage, or other graphics.
- Structural alterations.
- Energy calculations for the building shell.
- Building shell code research and calculations.
- Water Table Calculations.
- Air Balance Calculations.
- Isometric Riser Diagrams.
- Meetings with utility companies.
- Preparing As-Built drawings at completion of construction.
- Fault Current Calculations.

- Review of Applications for Payment.
- LEED design and documentation.
- Preparation of Sample Boards.
- Zoning and CUP associated work.
- The state of Alabama – Florida – Hawaii – Maryland - Louisiana – Massachusetts – New York – Oregon – Wisconsin may require an in-person final inspection from the design professional. If required, the fee will include a maximum per diem of \$1,200 + reimbursable expenses.

These services can be provided at the following hourly rates, and will only be undertaken with your approval:

Architect: \$150.00 per hour
Project Manager: \$100.00 per hour

Preliminary Schedule:

Schematic Design: 3 business days from contract execution or receipt of existing building plans, whichever is later.

Construction Documents: max 20 business days from Schematic Design approvals and receipt of all existing space information and LL provided item details.
(drawings for bid, permit and landlord review)

Respectfully Submitted:



Robert Palladino, RA
HS Design, LLC

Acceptance: If accepted please sign one copy of this signature page and return with the retainer payment. Upon acceptance and execution this proposal becomes a legally binding agreement. The Terms and Conditions attached hereto are incorporated herein and shall apply to this proposal.

X _____
(Client)

X _____
(Date)

Terms and Conditions

(Client) Responsibilities:

The Client shall provide full information regarding requirements for the project, including a design program that shall set forth the client's objectives, schedule, constraints, and criteria.

The Client shall furnish a complete set of building shell drawings, lease outline drawings, legal descriptions, and utility locations to the Designer prior to beginning work. The Designer or Architect is not responsible for review or verification of existing conditions.

The Client shall furnish accurate and current AutoCAD files of the building shell of the tenant space to serve as a base to design the project. The Designer or Architect is not responsible for verifying the accuracy of the CAD file.

If necessary, the Client shall provide the services of an environmental consultant for the identification and remediation of mold, asbestos containing materials or other hazardous materials.

The Client shall provide prompt written notice to the Architect if the Client becomes aware of any fault or defect in the services provided or with the contract documents prepared by the Architect.

(Architect) Responsibilities:

The Architect covenants with Client to exercise reasonable care in manner consistent with the standards required of other architects providing similar services under similar circumstances.

The Architect will provide the services in a reasonably expedient, professional, and economical manner consistent with the standards of the profession.

Work under this agreement is considered a service and shall not be construed as goods or products.

The amount of liability arising out of performance under this agreement shall be limited to claims directly attributable only to the failure to exercise the degree of skill and performance normally exercised by qualified architects providing similar service under similar conditions and shall be strictly limited to the costs of services rendered under this Agreement.

The Architect will maintain, for a period of one (1) year after the completion of our services, professional liability insurance in the amount of \$1,000,000 per claim and \$2,000,000 annual aggregate limit of liability providing coverage for claims arising from the Architect's negligent acts, errors, or omissions in providing the services under this agreement. Any claim related to this Agreement will be barred unless an action for a claim is commenced within one (1) year from the date on which Client knew or should have known, in the exercise of reasonable diligence, of the facts giving rise to the claim.

Payment to the Designer:

The Architect shall submit monthly invoices to the Client for payment for services performed under the Base Fee, as well as for all reimbursable expenses and Client approved additional services. Payment is due from the client within thirty (30) days of the invoice date.

Amounts unpaid after thirty (30) days of the invoice date shall bear interest at the rate of 1.0% per month.

Unless prior written arrangement is made with the Architect, the Architect is not obligated to release signed and sealed drawings and/or distribute drawings if payment has not been received for services provided.

This proposal is valid for a period of ninety (90) days from the date of this proposal and is subject to adjustment by the Architect thereafter.

The Client shall make the initial retainer payment prior to the Architect beginning services, which shall be credited to the Client's account at final payment.

Expedited Services:

Services requested by the Client to be completed on an expedited schedule or required to be completed in an expedited manner to maintain the proposed project schedule to due changes by the Client, shall be billed at 1.25 times the contract amount.

The Architect will notify the Client that expedited services may be required before beginning the expedited services. Expedited services will be provided unless written notice from the Client is received immediately by the Architect.

Termination of Services:

This agreement may be terminated by either party upon not less than seven (7) days written notice should the other party fail substantially to perform in accordance with the terms of this agreement through no fault of the party initiating the termination.

The Client may terminate the project for any reason, with or without cause, upon not less than seven (7) days' notice to the Architect. In the event of termination, the Client shall pay the Architect for completed services up to the date of termination. The Architect will furnish copies of drawings and other documentation to the Client related to the services performed to the date of termination.

If the Client suspends the project for more than thirty (30) consecutive days, the Architect shall be compensated for services provided prior to the receipt of the Client's written notice to suspend services. The Architect will furnish printed copies of drawings and other documentation to the Client related to the services performed to the date of suspension of the project.

Ownership and Use of Architect's Documents:

The drawings, specifications and other documents prepared by the Architect for this project are instruments of the Architect's service for use solely for this project. The Architect shall retain ownership of the documents.

The Client shall be permitted to retain print and .tif or .pdf electronic copies of the Architect's documents for information and reference in connection with the Client's use and occupancy of the project.

The Architect's documents shall not be used by the Client or others on other projects, or in addition to this project, without written permission of the Architect and appropriate compensation and other qualification and upon terms acceptable to the Architect.

The Client agrees to defend, indemnify, and hold harmless the Architect against situations arising out of reuse of the documents without the Architect's consent.

Claims for Consequential Damages:

The Architect and Client waive consequential damages for claims, disputes, or other matters in question arising out of or relating to this Agreement.

Indemnification:

The Architect agrees to indemnify and hold harmless the client from claims, damages, losses, and expenses arising out of negligent acts, errors, or omissions of the Architect as a result of the Architect's services provided under this agreement. The Architect is not obligated to indemnify the Client in any way for the Client's own negligence or negligence of others.

The Client agrees to indemnify and hold harmless the Architect against situations arising out of hazardous materials found at the site.

Dispute Resolution:

Mediation:

Any claim, dispute or other matter in question arising out of or related to this Agreement shall be subject to mediation as a condition precedent to binding dispute resolution. If such matter relates to or is the subject of a lien arising out of the Architect's services, the Architect may proceed in accordance with applicable law to comply with the lien notice or filing deadlines prior to resolution of the matter by mediation or by binding dispute resolution. The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in Philadelphia, PA, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

Arbitration:

Any claim, dispute or other matter in question arising out of or related to this Agreement, but not resolved by mediation, shall be subject to arbitration which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration in Bucks County, PA. A demand for arbitration shall be made in writing, delivered to the other party to this Agreement, and filed with the person or entity administering the arbitration. For statute of limitations purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the claim, dispute, or other matter in question. The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by parties to this Agreement shall be specifically enforceable in accordance with applicable law in any court having jurisdiction thereof. The award rendered by the arbitrator(s) shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

EXHIBIT K TO THE DISCLOSURE DOCUMENT
GENERAL RELEASE

SAMPLE GENERAL RELEASE

THIS SAMPLE GENERAL RELEASE is made and given on this ____ day of _____,
20____ by _____, ("RELEASOR") an
individual _____ with _____ an _____ address _____ at:
_____, in consideration of:

_____ the execution by HAND AND STONE FRANCHISE LLC ("RELEASEE") of a
successor Franchise Agreement or other renewal documents renewing the franchise (the "Franchise")
granted to RELEASOR by RELEASEE pursuant to that certain Franchise Agreement (the "Franchise
Agreement") between RELEASOR and RELEASEE; or

_____ RELEASEE'S consent to RELEASOR'S assignment of its rights and duties under the
Franchise Agreement; or

_____ RELEASEE'S consent to RELEASOR'S assumption of rights and duties under the
Franchise Agreement,

and other good and valuable consideration, and accordingly RELEASOR hereby releases and
discharges RELEASEE, RELEASEE'S officers, directors, shareholders and employees (in their corporate
and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action,
suits, debts, damages, judgments, executions, claims and demands whatsoever, known or unknown, in law
or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns
had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning
of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise
Agreement, including, without limitation, claims arising under federal, state and local laws, rules and
ordinances.

This General Release does not apply to claims arising under the Franchise Investment Protection
Act, RCW 19.100, or the rules adopted thereunder. If RELEASOR is domiciled or has his or her principal
place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all
rights and benefits under Section 1542 of the California Civil Code, which provides: "A GENERAL
RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR
SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF
KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE
DEBTOR."

This General Release shall not be amended or modified unless such amendment or modification is
in writing and is signed by RELEASOR and RELEASEE.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR:

(type/print name)

By: _____

Name: _____

Title: _____

(or, if an individual)

Signed: _____

name printed: _____

ACKNOWLEDGMENT

State of _____)
) ss
County of _____)

On this ____ day of _____, 20____ before me personally came _____, known to me to be the same person whose name is signed to the foregoing General Release, and acknowledged the execution thereof for the uses and purposes therein set forth, [and who did swear and say that he/she is the _____ (title) of _____ (company name), and he/she has the authority to execute said General Release].

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public
My Commission expires:

(NOTARIAL SEAL)

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
California	April 7, 2025
Hawaii	Pending
Illinois	April 7, 2025
Indiana	April 7, 2025
Maryland	Pending
Michigan	April 7, 2025
Minnesota	Pending
New York	April 7, 2025
North Dakota	Pending
Rhode Island	Pending
South Dakota	April 8, 2025
Virginia	Pending
Washington	Pending
Wisconsin	April 8, 2025

In all other states, the effective date of this Franchise Disclosure Document is the Issuance Date is April 7, 2025.

RECEIPT

(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hand and Stone Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. 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.

If Hand and Stone Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Hand and Stone Franchise LLC, located at 1210 Northbrook Drive, Suite 150, Trevoese, Pennsylvania 19053. Its telephone number is (215) 259-7540.

Issuance date: April 7, 2025

The franchise seller for this offering is as follows:

Please check all that apply. If you are working with an additional franchise seller not listed below, please provide their name, address and phone in the space provided:

<input type="checkbox"/> Jennifer Durham 1210 Northbrook Drive, Suite 150 Trevoese, Pennsylvania 19053 (215) 259-7540	<input type="checkbox"/> Additional Seller Name: _____ Address: _____ City/ST/Zip: _____ Phone: _____
---	--

Hand and Stone Franchise LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 7, 2025, that included the following Exhibits:

Exhibit A – List of State Administrators/Agents for Service of Process

Exhibit B – Table of Contents of the Operations Manual

Exhibit C – Financial Statements

Exhibit D – Franchise Agreement

Exhibit A – Approved Location; Protected Territory

Exhibit B – Nondisclosure and Non-Competition Agreement

Exhibit C – Transfer to a Corporation or Limited Liability Company

Exhibit D – Franchise Addendum to Lease Agreement

Exhibit E – Acknowledgment of Telephone Number Ownership
Exhibit F – ACH Agreement

Exhibit E – List of Active Franchise Owners
Exhibit F – List of Franchisees Who Have Left the System
Exhibit G – List of Regional and Area Developers
Exhibit H – State Specific Addenda
Exhibit I – Software Sublicense Agreement
Exhibit J – Architectural Services Agreement
Exhibit K - Sample General Release

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and faxing a copy of the signed and dated receipt to Hand and Stone Franchise LLC at (215) 259-7540, or by mailing it to Hand and Stone Franchise LLC at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053.

RECEIPT

(RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If Hand and Stone Franchise LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant. New York requires that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. 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.

If Hand and Stone Franchise LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the appropriate state agency listed on Exhibit A.

The franchisor is Hand and Stone Franchise LLC, located at 1210 Northbrook Drive, Suite 150, Trevoese, Pennsylvania 19053. Its telephone number is (215) 259-7540.

Issuance date: April 7, 2025

The franchise seller for this offering is as follows:

Please check all that apply. If you are working with an additional franchise seller not listed below, please provide their name, address and phone in the space provided:

☐

Jennifer Durham
1210 Northbrook Drive,
Suite 150
Trevoese, Pennsylvania 19053
(215) 259-7540

☐

Additional Seller Name: _____
Address: _____
City/ST/Zip: _____
Phone: _____

Hand and Stone Franchise LLC authorizes the agents listed in Exhibit A to receive service of process for it.

I have received a disclosure document dated April 7, 2025, that included the following Exhibits:

Exhibit A – List of State Administrators/Agents for Service of Process

Exhibit B – Table of Contents of the Operations Manual

Exhibit C – Financial Statements

Exhibit D – Franchise Agreement

Exhibit A – Approved Location; Protected Territory

Exhibit B – Nondisclosure and Non-Competition Agreement

Exhibit C – Transfer to a Corporation or Limited Liability Company

Exhibit D – Franchise Addendum to Lease Agreement

Exhibit E – Acknowledgment of Telephone Number Ownership
Exhibit F – ACH Agreement

Exhibit E – List of Active Franchise Owners
Exhibit F – List of Franchisees Who Have Left the System
Exhibit G – List of Regional and Area Developers
Exhibit H – State Specific Addenda
Exhibit I – Software Sublicense Agreement
Exhibit J – Architectural Services Agreement
Exhibit K - Sample General Release

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

You may return the signed receipt either by signing, dating and faxing a copy of the signed and dated receipt to Hand and Stone Franchise LLC at (215) 259-7540, or by mailing it to Hand and Stone Franchise LLC at 1210 Northbrook Drive, Suite 150, Trevose, Pennsylvania 19053.