

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 \$601,695 to \$760,254. This includes approximately \$70,000 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 12, 2024

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. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **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.

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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. merged with and into Hand and Stone Franchise LLC, a New Jersey limited liability company and a newly formed wholly-owned subsidiary of our parent HS Parent Inc., with Hand and Stone Franchise LLC being the surviving entity in the merger. As a result of this merger, Hand and Stone Franchise LLC became the franchisor, and Hand and Stone Franchise Corp. became its predecessor. Hand and Stone Franchise LLC has been offering franchises since June 2022. Our principal business address is 1210 Northbrook Drive, Trevoze, 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 fourteen (15) HAND AND STONE franchises, one (1) of which is located in New Jersey and thirteen (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 that exercise control over the policies

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

and direction of the System 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
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 HAND AND STONE units in New Jersey and 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 all advertising for use in the System, including grand opening advertising campaigns and local advertising materials, and our Advertising Agency will manage the Marketing Fund and Local Advertising Fees. Our Advertising Agency has never operated a business of the type being franchised, and our 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 architectural drawings and other design services as the in-house architectural/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, Trevose, Pennsylvania 19053.

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 22 Massage Experts 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

Our predecessor Hand and Stone Franchise Corp. previously entered into agreements with individuals which serve as "Regional Developers" and assist us in providing certain ongoing services to franchisees located in certain states. Our current Regional Developers are listed in Exhibit G of this Disclosure Document. Hand and Stone Franchise Corp. ceased offering Regional Developer opportunities in 2009.

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, 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 from May 2022 to February 2024. Chris also served as Chief Financial Officer and Chief Operating Officer of Veterinary Practice Partners from September 2018 to May 2022.

Chief Marketing Officer: Jack Bachinsky

Mr. Bachinsky joined us in January 2014 as Vice President of Advertising and Marketing and was promoted to Chief Marketing Office of Hand and Stone in January 2018.

Chief Technology Officer: Siddharth Desai

Mr. Desai has served as Chief Digital and Technology Officer since February 2023. Prior to this, he was the Senior Vice President of Technology Strategy and Digital Operations at Tropical Smoothie Cafe, LLC from December 2021 through February 2023. From June 2020 to December 2021, he served as the Vice President of Technology Strategy and Digital Operations. Prior to joining Tropical Smoothie Cafe, LLC, from August 2013 to June 2020, he was 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 served as our Chief Experience Officer since August 2020. From October 2017 until July 2020, Ms. Meiskin served as our Vice President of Brand Experience. She previously served as our Vice President of Training from January 2016 until October 2017. From February 2012 until December 2015, she served as Hand and Stone's Director of Training and then Executive Director of Training.

Chief Development Officer: Jennifer Durham

Mrs. Durham joined us in December 2022 as 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 Checkers Drive-In Restaurants of Tampa, FL from July 2001 to April 2019 prior to joining Hand & Stone.

Senior Vice President of Operations: Meghan Lally

Ms. Lally has been with Hand and Stone since 2010 in various Operations Support roles and was promoted on October 1, 2022, to Senior Vice President, Franchise Operations.

Senior Vice President of Real Estate: Kris Smith

Mr. Smith currently serves as our Senior Vice President of Real Estate and has been with Hand and Stone since May 2014.

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.

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.

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 stem 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 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 undeveloped territory to Hand and Stone.

Other than the above matters, 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 2023 the lowest franchise fee was \$0, which represented a conversion program for select franchise owners to convert to HAND AND STONE franchises.

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.

Initial Purchases

Before you open your HAND AND STONE franchise, you must purchase certain furniture, fixtures and equipment from us, which currently include decorative wall features and chairs. We estimate that these items will cost approximately \$8,000 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 us the money to be spent on your grand opening advertising campaign. Our subsidiary, Advertising Agency, will conduct the grand opening advertising campaign on your behalf. The cost of the grand opening advertising campaign is \$10,000. 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 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
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)
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)

Type of Fee	Amount	Due Date	Remarks
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)
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	\$8,500 - \$10,400	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.

Type of Fee	Amount	Due Date	Remarks
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)
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.

Type of Fee	Amount	Due Date	Remarks
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	\$658 Monthly Subscription and Support Fee, and \$35 per month for cyber insurance. All fees above are subject to change.	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. (Section 12.5)
Liquidated Damages	See note 2		
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, subject to change.		You must update or upgrade the computer hardware and software as necessary.
Accounting Firm Fee	Then current fee, currently \$500-550 per month.	As incurred	See Note 4.

No other fees or payments are to be paid to us, 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. (Section 1)
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.
4. To ensure that you have accurate financial records and reporting, during the first year of the term of the Franchise Agreement, upon request or until you demonstrate a proficiency in preparing and submitting to us correct financial statements and/or other requested financial data of the Franchised Business’ operations, we require you to use the services of one of our designated and preferred accounting firms (the “Accounting Firm”). The 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 pay the Accounting Firm’s then current monthly fee (the “Accounting Fees”) and the Accounting Fees are subject to future increases. We can require you to use the Accounting Firm and pay the Accounting Fees at any time during the term in the event that you fail to provide us with accurate financial statements.

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}	\$13,363 - \$20,000	As Arranged	Before Beginning Operations	Third Parties
Leasehold Improvements ⁴	\$361,797 - \$394,171	As Arranged	Before Beginning Operations	Third Parties
Furniture, Fixtures & Equipment ⁵	\$47,252 - \$63,095	As Arranged	Before Beginning Operations	Us and Third Parties
Computer/POS System ⁶	\$6,498 - \$19,932	As Arranged	Before Beginning Operations	Third Parties
Connectivity Fee ⁷	\$2,500	As Arranged	Upon Signing Franchise Agreement	Us
Insurance ⁸	\$1,500 - \$2,500	As Arranged	Before Beginning Operations	Third Parties
Office Equipment and Supplies ⁹	\$7,772 - \$20,467	As Arranged	Before Beginning Operations	Approved Suppliers
Camera/Music System ¹⁰	\$11,748 - \$17,742	As Arranged	Before Beginning Operations	Approved Suppliers
Initial Inventory ¹¹	\$12,250 - \$18,384	As Arranged	Before Beginning Operations	Approved Suppliers
Other Pre-Opening Expenses (Travel, Grand Opening) ^{12,14}	\$11,000 - \$18,300	As Arranged	Before Beginning Operations	Third Parties, Us
Signage ¹³	\$13,806 - \$23,349	As Arranged	Before Beginning Operations	Third Parties
Licenses, Permits and Architectural Fees ¹⁵	\$12,784 - \$15,164	As Arranged	Before Beginning Operations	Licensing Authority, and Third Parties or Us

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Legal & Accounting ¹⁶	\$3,425- \$5,150	As Arranged	Before Beginning Operations	Attorney, Accountant
Additional Funds ¹⁷ (9 months)	\$70,000 - \$90,000	As Arranged	As Necessary	You Determine
TOTAL INVESTMENT¹⁸	\$601,695-\$760,254			

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 \$10,000 on Grand Opening Advertising. You must pay this money to us, and our Advertising Agency will conduct 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 19 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, where you locate 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. The costs estimated in this Item 7 are not intended to be a forecast of the actual costs you or any particular franchisee will incur.

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. 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 water feature, lobby furniture, cabinetry and millwork, signage, attention buttons, and HS Design for architectural services, but we may approve alternate suppliers if appropriate.

Our subsidiary Advertising Agency is the only approved supplier for expending the Local Advertising Fee, however, franchisees may use other agencies for expanding advertising above the required Local Advertising Fee. Advertising Agency and HS Design are solely owned by us. The following officers have an ownership interest in us, and we are an approved supplier of certain items: Todd Leff, John Teza, Jack Bachinsky, Cindy Meiskin, Lisa Rossmann, Kris Smith, and Meghan Lally,. There are no other approved suppliers in which any of our officers owns an interest. HS Hamilton Spa is not an Approved Supplier of any item.

In the fiscal year ended December 31, 2023, we derived \$40,617,599 (or 34%) of our total gross revenues of \$119,178,493 from required franchisee purchases and leases. In the fiscal year ended December 31, 2023, Advertising Agency derived \$5,101,707 from commissions on the placement of the required Local Advertising Fees and additional voluntary local advertising contributions. Additionally, Advertising Agency earned commissions totaling \$510,171 from the placement of required Marketing Fund contributions.

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, 2023, we earned rebates totaling \$3,972,487 or 3.3% 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.

Our Advertising Agency may also earn rebates, commissions or other payments based on advertising activities, including from the Marketing Fund, local advertising and grand opening advertising.

If the Advertising Agency earns these rebates, commission or other payments, there is no restriction on our Advertising Agency regarding the use of those funds, and the Advertising Agency may keep these rebates, commissions or other payments as profit.

We estimate that approximately between 70% and 80% of your expenditures for 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 expenditures 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

Obligation		Section in the Franchise Agreement	Item in the Disclosure Document
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
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. provide to you, on loan, one copy of the HAND AND STONE MASSAGE AND FACIAL SPA Operations Manual, or grant you access to an electronic copy of the Manual. The Table of Contents of the Operations 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 302 pages. (Section 9.1)

8. Have our Advertising Agency plan 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, facsimile, 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 our Advertising Agency conduct 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 are conducted by our Advertising Agency. Each week, you must pay to us 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 our Advertising Agency will use for 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, our Advertising Agency 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 Franchisor and the Advertising Agency 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). Our Advertising Agency will administer the Marketing Fund as follows:

a) We will control the creative concepts and the materials and media to be used, and our Advertising Agency will determine the placement and allocation of advertisements. Our Advertising Agency may use print, television, radio, Internet or other media for advertisements and promotions. Our Advertising Agency does 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) Our Advertising Agency 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). Our Advertising Agency reserves 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 related to the administration of the Marketing Fund. Our Advertising Agency 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, 2023, the National Fund contributions were expended as follows: Production 2.4%; Media Placement 67.4%; Internet and Communications 7.9%; Administrative Expenses 1.8 %; Consumer Research 12.8%; Public Relations and Social Media 7.7%.

c) Our Advertising Agency expects 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 and our Advertising Agency 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 will be prepared each year and will be provided to you if you request it. 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 our Advertising Agency assume any fiduciary duty in administering the Marketing Fund.

g) Our Advertising Agency 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.

3. You must pay \$10,000 to us for Grand Opening Advertising to promote the opening of your Franchised Business. Our Advertising Agency will conduct 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 \$2,000 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 \$6,498 - \$19,932 (Section 12.5)

Our current minimum hardware purchase requirement includes:

- 4 desktop workstations (Station 1, Station 2, Breakroom, Office), having 32 Memory, Windows 10 Professional 64-bit, 22 in. LCD Flat Panel Monitor with 3-yr Limited Warranty 3-yr 7x24 Support with Next Business Day On-site Warranty. 4 iPad (8th generation) tablets with 10.2” display, 32GB memory
 - 2 Non intelligent cash drawers
 - 2 Barcode Scanners
 - 2 TSP 100 Thermal Receipt Printers

Your software purchase requirement includes 1 Microsoft Office License for the Office computer, and CrowdStrike 1-year subscription for the workstations. You must also sign up for an account with Worldpay/Vantiv Payment Services or an account with Zenoti Payments for credit card and membership billing. Credit card readers are purchased directly through our payment processors.

The above specifications are subject to change without prior notice. You must take all 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).

You must pay us 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. 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. The estimated cost of the Zenoti subscription and support services is approximately \$616 per month plus \$35 per month for cyber insurance, which is subject to change. We will provide the support in conjunction with Zenoti.

You must update or upgrade the computer hardware and software as necessary. The current annual cost is approximately \$1,000. 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. There are no limits on our direct access to your computer systems or data. (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
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 instructors and their years of experience within the industry and with the System are listed

below. Our trainers may utilize other employees to assist them with all aspects of training.

Instructor	Years of Experience in the Industry	Years of Experience with Us
John Teza	27	4
Cindy Meiskin	23	12
Jennifer Durham	18	2
Jack Bachinsky	10	10
Nathan Nordstrom	23	6
Lisa Rossmann	15	12
Meghan Lally	17	17
Ronel Smack	15	9
John Gorman	2	2

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

Provision	Section in the Franchise Agreement	Summary
		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 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

Provision	Section in the Franchise Agreement	Summary
		<p>affect the reputation of either party or the Franchised Business; use the manual, Trade Secrets or Confidential Information in an unauthorized manner; 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 17.1</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</p>

Provision	Section in the Franchise Agreement	Summary
		provider); and comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
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

Provision	Section in the Franchise Agreement	Summary
		or all of your equity owners have signed the Nondisclosure and Non-Competition Agreement attached to the Franchise Agreement; and the transferee has 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.
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

Provision	Section in the Franchise Agreement	Summary
		owning or working for a Competitive Business operation within 20 mile radius of the Approved Location or 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, 2023 through December 31, 2023 (the "2023 Calendar Year").

As of December 31, 2023, we had 527 franchised outlets open in the United States and 15 subsidiary-owned outlets open in the United States (the "Subsidiary Outlets"). We, through our subsidiaries, acquired 10 of the 15 Subsidiary Outlets in the 2021 Calendar Year. One of the Subsidiary Outlets is located in New Jersey and the remaining 14 are located in Florida. All of the Subsidiary Outlets have been open for more than 24 months and are substantially similar to the franchise opportunity being offered under this Franchise Disclosure Document.

The following Outlets were excluded from the financial performance information presented in this Item 19: the 24 franchised outlets that converted and joined the System in 2023, and the 20 franchised outlets that were not open for a full twelve months as of December 31, 2023. The financial performance information presented in this Item 19 includes performance information for the remaining 483 franchised outlets that were open for at least 12 months as of December 31, 2023 (the "Franchised Outlets") and the Subsidiary Outlets.

Table #1a presents the 2023 Calendar Year Average Gross Sales for the Subsidiary Outlets. Table #1b presents the 2023 Calendar Year Average Gross Sales for the Franchised Outlets, grouped by year of opening. Table #1c presents the combined 2023 Calendar Year Average Gross Sales for the Subsidiary Outlets and the Franchised Outlets represented in table #1b for a total of 498 locations.

Table #2a presents the presents the 2023 Calendar Year Average Massage Sales Information for the Subsidiary Outlets. Table #2b presents the 2023 Calendar Year Average Massage Sales Information for the Franchised Outlets. Table #2c presents the combined 2023 Calendar Year Average Massage Sales Information for the Subsidiary Outlets and the Franchised Outlets represented in table #5b for a total of 498 locations.

Table #3a presents the 2023 Calendar Year Average Facial Sales Information, organized by year of opening, for the Subsidiary Outlets. Table #3b presents the 2023 Calendar Year Average Facial Sales Information, organized by year of opening, for the Franchised Outlets. Table #3c presents the combined 2023 Calendar Year Average Facial Sales Information, organized by year of opening, for the Subsidiary

Outlets and the Franchised Outlets represented in table #2b for a total of 498 locations.

Table #4a presents the presents the 2023 Calendar Year Average Gift Card Sales Information for the Subsidiary Outlets. Table #4b presents the 2023 Calendar Year Average Gift Card Sales Information for the Franchised Outlets. Table #4c presents the combined 2023 Calendar Year Average Gift Card Sales Information for the Subsidiary Outlets and the Franchised Outlets represented in table #3b for a total of 498 locations.

Table #5a presents the presents the 2023 Calendar Year Average Retail Sales Information for the Subsidiary Outlets. Table #5b presents the 2023 Calendar Year Average Retail Sales Information for the Franchised Outlets. Table #5c presents the combined 2023 Calendar Year Average Retail Sales Information for the Subsidiary Outlets and the Franchised Outlets represented in table #4b for a total of 498 locations.

Table #6 presents Average Size, First Year Gross Rent and Landlord Improvement Allowance for the twenty (20) United States franchised outlets that first opened for business in the 2023 Calendar Year.

Table #7 presents certain Corporate Spa Average Revenue and Expenses for 14 of the 15 Subsidiary Outlets for the 2023 Calendar Year. One (1) of the fourteen (15) Subsidiary Outlets were excluded from the results presented in Table 7 because they were acquired by our affiliate in the 2023 Calendar Year and were not under affiliate ownership for at least twelve (12) months as of December 31, 2023.

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Table #1a
Average Gross Sales for Subsidiary Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets	2023 Average Gross Sales	Number & % Above/Below Average	2023 Median Gross Sales	2023 Min Gross Sales / Max Gross Sales	2023 Average Members	Number & % Above/Below Average
2009	1	1,934,878	n/a	1,934,878	1,934,878	1,945	n/a
2010	2	2,633,663	Above: 1 or 50% Below: 1 or 50%	2,633,663	Min: 2,574,030 Max: 2,693,296	2,391	Above: 1 or 50% Below: 1 or 50%
2011	2	3,263,510	Above: 1 or 50% Below: 1 or 50%	3,263,510	Min: 3,104,149 Max: 3,422,872	3,034	Above: 1 or 50% Below: 1 or 50%
2013	1	1,259,152	n/a	1,259,152	1,259,152	1,043	n/a
2014	2	2,083,792	Above: 1 or 50% Below: 1 or 50%	2,083,792	Min: 1,872,870 Max: 2,294,714	1,808	Above: 1 or 50% Below: 1 or 50%
2015	3	2,285,406	Above: 2 or 67% Below: 1 or 33%	2,676,368	Min: 1,471,277 Max: 2,708,574	2,112	Above: 2 or 67% Below: 1 or 33%
2016	1	1,644,943	n/a	1,644,943	1,644,943	1,492	n/a
2017	1	1,900,855	n/a	1,900,855	1,900,855	1,569	n/a
2018	1	1,769,903	n/a	1,769,903	1,769,903	1,450	n/a
2019	1	1,960,601	n/a	1,960,601	1,960,601	1,590	n/a
Total*	15	2,219,232	Above: 11 or 73% Below: 4 or 27%	1,960,601	Min: 1,259,152 Max: 3,422,872	1,992	Above: 11 or 73% Below: 4 or 27%

Table #1b
Average Gross Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Franchised Outlets	2023 Average Gross Sales	Number & % Above/Below Average	2023 Median Gross Sales	2023 Min /Max Gross Sales	2023 Average Members	Number and % Above/Below Average
2008 and Prior	20	2,014,638	Above: 7 or 35% Below: 13 or 65%	1,793,669	Min: 957,379 Max:4,056,316	1,674	Above: 6 or 30% Below: 14 or 70%
2009	6	2,189,120	Above: 2 or 33% Below: 4 or 67%	1,882,507	Min:1,454,447 Max:3,815,499	1,698	Above: 2 or 33% Below: 4 or 67%
2010	7	1,919,100	Above: 2 or 29% Below: 5 or 71%	1,630,257	Min:1,163,272 Max:3,511,280	1,614	Above: 2 or 29% Below: 5 or 71%
2011	21	1,682,818	Above: 10 or 48% Below: 11 or 52%	1,665,682	Min:946,479 Max:2,653,357	1,380	Above: 11 or 52% Below: 10 or 48%
2012	25	1,701,145	Above: 11 or 44% Below: 14 or 56%	1,561,838	Min:724,380 Max:2,747,066	1,388	Above: 11 or 44% Below: 14 or 56%
2013	42	1,499,003	Above: 19 or 45% Below: 23 or 55%	1,417,370	Min:612,104 Max:3,023,901	1,226	Above: 19 or 45% Below: 23 or 55%
2014	47	1,496,773	Above: 20 or 43% Below: 27 or 57%	1,323,367	Min:572,929 Max:3,086,423	1,220	Above: 16 or 34% Below: 31 or 66%
2015	52	1,413,586	Above: 23 or 44% Below: 29 or 56%	1,339,377	Min:445,485 Max:3,020,362	1,129	Above: 19 or 37% Below: 33 or 63%
2016	46	1,555,637	Above: 18 or 39% Below: 28 or 61%	1,388,466	Min:535,716 Max:3,577,373	1,251	Above: 17 or 37% Below: 29 or 63%
2017	39	1,405,561	Above: 18 or 46% Below: 21 or 54%	1,369,644	Min:603,830 Max:3,081,578	1,138	Above: 15 or 38% Below: 24 or 62%

Opening Year	2023 Franchised Outlets	2023 Average Gross Sales	Number & % Above/Below Average	2023 Median Gross Sales	2023 Min /Max Gross Sales	2023 Average Members	Number and % Above/Below Average
2018	45	1,294,376	Above: 18 or 40% Below: 27 or 60%	1,247,017	Min:579,008 Max:2,782,402	1,013	Above: 19 or 42% Below: 26 or 58%
2019	46	1,088,563	Above: 21 or 46% Below: 25 or 54%	1,019,908	Min: 316,278 Max:2,126,287	842	Above: 18 or 39% Below: 28 or 61%
2020	28	1,123,365	Above: 12 or 43% Below: 16 or 57%	999,356	Min:575,141 Max:2,115,426	851	Above: 13 or 46% Below: 15 or 54%
2021	19	792,952	Above: 9 or 47% Below: 10 or 53%	760,724	Min:313,904 Max:1,136,957	595	Above: 7 or 37% Below: 12 or 63%
2022	40	689,944	Above: 18 or 45% Below: 22 or 55%	643,293	Min:280,116 Max:1,680,485	495	Above: 17 or 43% Below: 23 or 58%
Total*	483	1,365,793	Above: 208 or 43% Below: 275 or 57%	1,275,538	Min:280,116 Max:4,056,316	1,090	Above: 192 or 40% Below: 291 or 60%

Table #1c
Average Gross Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Gross Sales	Number & % Above/Below Average	2023 Median Gross Sales	2023 Min/Max Gross Sales	2023 Average Members	Number & % Above/Below Average
2008 and Prior	20	2,014,638	Above:7 or 35% Below:13 or 65%	1,793,669	Min: 957,379 Max:4,056,316	1,674	Above: 6 or 30% Below: 14 or 70%
2009	7	2,152,800	Above: 2 or 29% Below: 5 or 71%	1,934,878	Min:1,454,447 Max:3,815,499	1,733	Above: 3 or 43% Below: 4 or 57%
2010	9	2,077,892	Above: 4 or 44% Below: 5 or 56%	1,886,187	Min:1,163,272 Max:3,511,280	1,787	Above: 4 or 44% Below: 5 or 56%
2011	23	1,820,269	Above: 10 or 43% Below: 13 or 57%	1,728,752	Min: 946,479 Max:3,422,872	1,524	Above: 10 or 43% Below: 13 or 57%

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Gross Sales	Number & % Above/Below Average	2023 Median Gross Sales	2023 Min/Max Gross Sales	2023 Average Members	Number & % Above/Below Average
2012	25	1,701,145	Above: 11 or 44% Below: 14 or 56%	1,561,838	Min:724,380 Max:2,747,066	1,388	Above: 11 or 44% Below: 14 or 56%
2013	43	1,493,425	Above: 19 or 44% Below: 24 or 56%	1,382,780	Min: 612,104 Max:3,023,901	1,222	Above: 19 or 44% Below: 24 or 56%
2014	49	1,520,733	Above: 21 or 43% Below: 28 or 57%	1,342,425	Min:572,929 Max:3,086,423	1,244	Above:18 or 37% Below: 31 or 63%
2015	55	1,461,140	Above: 22 or 40% Below: 33 or 60%	1,363,412	Min:445,485 Max:3,020,362	1,182	Above: 20 or 36%; Below: 35 or 64%
2016	47	1,557,537	Above: 19 or 40% Below: 28 or 60%	1,411,497	Min:535,716 Max:3,577,373	1,256	Above: 18 or 38% Below: 29 or 62%
2017	40	1,417,943	Above:18 or 45% Below: 22 or 55%	1,387,094	Min: 603,830 Max:3,081,578	1,149	Above: 15 or 38% Below: 25 or 63%
2018	46	1,304,713	Above: 18 or 39% Below: 28 or 61%	1,247,896	Min:579,008 Max:2,782,402	1,022	Above: 19 or 41% Below: 27 or 59%
2019	47	1,107,117	Above: 20 or 43% Below: 27 or 57%	1,023,462	Min: 316,278 Max 2,126,287	857	Above: 18 or 38% Below: 29 or 62%
2020	28	1,123,365	Above: 12 or 43% Below: 16 or 57%	999,356	Min:575,141 Max:2,115,426	851	Above: 13 or 46% Below: 15 or 54%
2021	19	792,952	Above: 9 or 47% Below: 10 or 53%	760,724	Min:313,904 Max:1,136,957	595	Above: 7 or 37% Below: 12 or 63%
2022	40	689,944	Above: 18 or 45% Below: 22 or 55%	643,293	Min: 280,116 Max:1,680,485	495	Above: 17 or 43% Below: 23 or 58%
Total*	498	1,391,448	Above: 210 or 42% Below: 288 or 58%	1,292,188	Min: 280,116 Max:4,056,316	1,118	Above: 198 or 40% Below: 300 or 60%

Table #2a
Average Massage Sales for Subsidiary Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets	2023 Average Massage Sales	Number & % Above/ Below Average	2023 Min/Max Massage Sales	2023 Median Massage Sales
2009	1	1,033,060	n/a	n/a	n/a
2010	2	1,308,350	Above: 1 or 50% Below: 1 or 50%	Min: 1,223,764 Max: 1,392,937	1,308,350
2011	2	1,888,090	Above: 1 or 50% Below: 1 or 50%	Min: 1,797,823 Max: 1,978,358	1,888,090
2013	1	744,617	n/a	n/a	n/a
2014	2	1,117,520	Above: 1 or 50% Below: 1 or 50%	Min: 1,101,274 Max: 1,133,766	1,117,520
2015	3	1,187,263	Above: 2 or 67% Below: 1 or 33%	Min: 768,955 Max: 1,531,207	1,261,626
2016	1	1,050,181	n/a	n/a	n/a
2017	1	1,044,160	n/a	n/a	n/a
2018	1	1,156,514	n/a	n/a	n/a
2019	1	1,169,115	n/a	n/a	n/a
Total*	15	1,225,824	Above: 11 or 73%; Below 4 or 27%	Min: 744,617 Max: 1,978,358	1,137,017

Table #2b
Average Massage Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Franchised Outlets	2023 Average Massage Sales	Number and % Above/Below Average	2023 Min/Max Massage Sales	2023 Median Massage Sales
2008 and Prior	20	1,074,344	Above: 6 or 30% Below: 14 or 70%	Min: 556,108 Max: 1,928,234	947,438
2009	6	1,159,765	Above: 3 or 50% Below: 3 or 50%	Min: 634,179 Max: 1,854,897	1,130,364
2010	7	1,007,803	Above: 3 or 43% Below: 4 or 57%	Min: 645,855 Max: 1,881,048	934,973
2011	21	908,039	Above: 11 or 52% Below: 10 or 48%	Min: 417,838 Max: 1,521,274	979,361
2012	25	982,579	Above: 13 or 52% Below: 12 or 48%	Min: 441,180 Max: 2,023,773	1,004,167
2013	42	819,881	Above: 19 or 45% Below: 23 or 55%	Min: 287,308 Max: 1,442,166	789,691
2014	47	846,860	Above: 22 or 47% Below: 25 or 53%	Min: 169,425 Max: 1,922,443	804,783
2015	52	788,556	Above: 27 or 52% Below: 25 or 48%	Min: 270,970 Max: 1,844,239	804,111
2016	46	915,334	Above: 20 or 43% Below: 26 or 57%	Min: 339,359 Max: 1,927,804	881,676
2017	39	843,298	Above: 17 or 44% Below: 22 or 56%	Min: 281,579 Max: 1,831,319	777,780
2018	45	810,873	Above: 21 or 47% Below: 24 or 53%	Min: 327,462 Max: 1,568,756	776,558
2019	46	675,102	Above: 21 or 46% Below: 25 or 54%	Min: 212,250 Max: 1,241,553	609,062
2020	28	700,431	Above: 12 or 43% Below: 16 or 57%	Min: 354,447 Max: 1,307,382	628,955
2021	19	542,846	Above: 8 or 42% Below: 11 or 58%	Min: 295,675 Max: 796,052	527,367
2022	40	475,048	Above: 15 or 38%	Min: 146,629	

Opening Year	2023 Franchised Outlets	2023 Average Massage Sales	Number and % Above/Below Average	2023 Min/Max Massage Sales	2023 Median Massage Sales
			Below: 25 or 63%	Max: 1,485,925	430,424
Total*	483	797,989	Above: 218 or 45% Below:265 or 55%	Min: 146,629 Max: 2,023,773	804,111

Table #2c
Average Massage Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Massage Sales	Number & % Above/Below Average	2023 Min/Max Massage Sales	2023 Median Massage Sales
2008 and Prior	20	1,074,344	Above: 6 or 30% Below: 14 or 70%	Min: 556,108 Max:1,928,234	947,438
2009	7	1,141,664	Above: 3 or 43% Below: 4 or 57%	Min: 634,179 Max:1,854,897	1,064,412
2010	9	1,074,591	Above: 4 or 44% Below: 5 or 56%	Min: 645,855 Max:1,881,048	1,014,275
2011	23	993,261	Above: 12 or 52% Below: 11 or 48%	Min: 417,838 Max:1,978,358	1,000,084
2012	25	982,579	Above: 13 or 52% Below: 12 or 48%	Min: 441,180 Max:2,023,773	1,004,167
2013	43	818,130	Above: 19 or 44% Below: 24 or 56%	Min: 287,308 Max:1,442,166	782,607
2014	49	857,907	Above: 23 or 47% Below: 26 or 53%	Min: 169,425 Max:1,922,443	815,143
2015	55	810,303	Above: 27 or 49% Below: 28 or 51%	Min: 270,970 Max:1,844,239	807,459
2016	47	918,203	Above: 21 or 45% Below: 26 or 55%	Min: 339,359 Max:1,927,804	889,694
2017	40	848,320	Above:18 or 45%	Min: 281,579	

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Massage Sales	Number & % Above/Below Average	2023 Min/Max Massage Sales	2023 Median Massage Sales
			Below: 22 or 55%	Max:1,831,319	779,247
2018	46	818,387	Above: 22 or 48% Below: 24 or 52%	Min:327,462 Max:1,568,756	776,613
2019	47	685,613	Above: 21 or 45% Below: 26 or 55%	Min:212,250 Max:1,241,553	645,764
2020	28	700,431	Above: 12 or 43% Below: 16 or 57%	Min: 354,447 Max:1,307,382	628,955
2021	19	542,846	Above: 8 or 42% Below: 11 or 58%	Min: 295,675 Max: 796,052	527,367
2022	40	475,048	Above: 15 or 38% Below: 25 or 63%	Min:146,629 Max:1,485,925	430,424
Total*	498	810,850	Above: 224 or 45% Below: 274 or 55%	Min: 146,629 Max:2,023,773	807,459

Table #3a
Average Facial Sales for Subsidiary Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets	2023 Average Facial Sales	Number & % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
2009	1	649,922	n/a	n/a	n/a
2010	2	906,105	Above: 1 or 50% Below: 1 or 50%	Min:895,038 Max: 917,171	906,105
2011	2	1,130,446	Above: 1 or 50% Below: 1 or 50%	Min: 852,513 Max: 1,408,379	1,130,446
2013	1	396,970	n/a	n/a	n/a
2014	2	694,778	Above: 1 or 50% Below: 1 or 50%	Min: 561,077 Max: 828,479	694,778
2015	3	791,147	Above: 2 or 67% Below: 1 or 33%	Min: 474,341 Max: 1,107,076	792,024

Opening Year	2023 Subsidiary Outlets	2023 Average Facial Sales	Number & % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
2016	1	635,881	n/a	n/a	n/a
2017	1	692,301	n/a	n/a	n/a
2018	1	695,974	n/a	n/a	n/a
2019	1	786,639	n/a	n/a	n/a
Total*	15	779,586	Above: 11 or 73% Below: 4 or 27%	Min:396,970 Max: 1,408,379	695,376

Table #3b
Average Facial Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Franchised Outlets	2023 Average Facial Sales	Number & % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
2008 and Prior	20	764,447	Above: 8 or 40% Below: 12 or 60%	Min: 256,177 Max: 1,836,729	754,858
2009	6	783,855	Above: 2 or 33% Below: 4 or 67%	Min: 378,278 Max: 1,217,764	702,052
2010	7	675,934	Above: 2 or 29% Below: 5 or 71%	Min: 352,931 Max: 1,377,184	638,033
2011	21	584,894	Above: 11 or 52% Below: 10 or 48%	Min: 258,625 Max: 997,717	625,422
2012	25	585,555	Above: 9 or 36% Below: 16 or 64%	Min: 203,806 Max: 1,193,424	493,810
2013	42	561,412	Above: 17 or 40% Below: 25 or 60%	Min: 240,013 Max: 1,474,395	511,343
2014	47	525,888	Above:21 or 45% Below: 26 or 55%	Min: 176,881 Max: 1,377,456	491,544
2015	52	531,864	Above: 22 or 42% Below: 30 or 58%	Min: 107,361 Max: 1,203,776	509,822
2016	46	521,200	Above:21 or 46% Below: 25 or 54%	Min: 113,241 Max: 1,163,217	495,722
2017	39	495,591	Above: 15 or 38%	Min: 179,041	436,001

Opening Year	2023 Franchised Outlets	2023 Average Facial Sales	Number & % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
			Below: 24 or 62%	Max: 1,132,261	
2018	45	434,253	Above: 21 or 47% Below: 24 or 53%	Min: 130,515 Max: 850,134	419,242
2019	46	382,598	Above: 22 or 48% Below: 24 or 52%	Min:73,649 Max: 780,971	372,792
2020	28	391,975	Above: 12 or 43% Below:16 or 57%	Min: 86,954 Max: 753,045	390,860
2021	19	269,302	Above: 9 or 47% Below:10 or 53%	Min: 148,189 Max: 446,081	262,594
2022	40	239,575	Above: 14 or 35% Below: 26 or 65%	Min: 105,994 Max: 915,952	191,337
Total*	483	483,458	Above: 206 or 43% Below: 277 or 57%	Min: 73,649 Max: 1,836,729	493,810

Table #3c
Average Facial Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023
All Outlets

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Facial Sales	Number and % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
2008 and Prior	20	764,447	Above: 8 or 40% Below: 12 or 60%	Min: 256,177 Max:1,836,729	754,858
2009	7	764,722	Above: 3 or 43% Below: 4 or 57%	Min: 378,278 Max:1,217,764	649,922
2010	9	727,083	Above: 3 or 33% Below: 6 or 67%	Min: 352,931 Max:1,377,184	644,365
2011	23	632,334	Above: 12 or 53% Below: 11 or 48%	Min: 258,625 Max:1,408,379	664,265
2012	25	585,555	Above:9 or 36% Below: 16 or 64%	Min: 203,806 Max:1,193,424	493,810

Opening Year	2023 Subsidiary & Franchised Outlets	2023 Average Facial Sales	Number and % Above/Below Average	2023 Min/Max Facial Sales	2023 Median Facial Sales
2013	43	557,588	Above: 17 or 40% Below: 26 or 60%	Min: 240,013 Max:1,474,395	507,480
2014	49	532,781	Above: 23 or 47%; Below: 26 or 53%	Min: 176,881 Max:1,377,456	495,046
2015	55	546,006	Above: 22 or 40% Below: 33 or 60%	Min: 107,361 Max:1,203,776	513,752
2016	47	523,640	Above: 22 or 47%; Below: 25 or 53%	Min: 113,241 Max:1,163,217	503,383
2017	40	500,509	Above: 16 or 40% Below: 24 or 60%	Min: 179,041 Max:1,132,261	436,276
2018	46	439,943	Above: 19 or 41%; Below: 27 or 59%	Min: 130,515 Max: 850,134	426,507
2019	47	391,194	Above: 22 or 47%; Below: 25 or 53%	Min: 73,649 Max: 786,639	375,171
2020	28	391,975	Above: 12 or 43% Below: 16 or 57%	Min: 86,954 Max: 753,045	390,860
2021	19	269,302	Above: 9 or 47% Below: 10 or 53%	Min: 148,189 Max: 446,081	262,594
2022	40	239,575	Above: 14 or 35% Below: 26 or 65%	Min: 105,994 Max: 915,952	191,337
Total*	498	492,359	Above: 211 or 42% Below: 287 or 58%	Min: 73,649 Max:1,836,729	495,046

Table #4a
Average Gift Card Sales for Subsidiary Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets	2023 Average GC Sales	Number & % Above/Below Average	2023 Min /Max GC Sales	2023 Median GC Sales
2009	1	222,743	n/a	n/a	n/a
2010	2	356,033	Above: 1 or 50% Below: 1 or 50%	Min: 340,461 Max: 371,605	356,033
2011	2	440,997	Above: 1 or 50% Below: 1 or 50%	Min: 302,456 Max: 579,538	440,997
2013	1	138,836	n/a	n/a	n/a
2014	2	220,042	Above: 1 or 50% Below: 1 or 50%	Min: 213,510 Max: 226,574	220,042
2015	3	264,636	Above: 2 or 67% Below: 1 or 33%	Min:162,902 Max: 335,250	295,755
2016	1	184,882	n/a	n/a	n/a
2017	1	195,226	n/a	n/a	n/a
2018	1	307,147	n/a	n/a	n/a
2019	1	262,573	n/a	n/a	n/a
Total*	15	275,964	Above: 11 or 73% Below: 4 or 27%	Min: 138,836 Max: 579,538	242,658

Table #4b
Average Gift Card Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Franchises	2023 Average GC Sales	Number & % Above/Below Average	2023 Min/Max GC Sales	2023 Median GC Sales
2008 and Prior	20	246,794	Above: 8 or 40% Below: 12 or 60%	Min: 75,712 Max: 779,311	192,956
2009	6	256,041	Above: 2 or 33% Below: 4 or 67%	Min:139,030 Max: 440,386	192,353

Opening Year	2023 Franchises	2023 Average GC Sales	Number & % Above/Below Average	2023 Min/Max GC Sales	2023 Median GC Sales
2010	7	305,391	Above: 2 or 29% Below: 5 or 71%	Min: 184,282 Max: 601,077	286,365
2011	21	222,283	Above: 10 or 48% Below: 11 or 52%	Min: 84,417 Max: 402,616	192,221
2012	25	212,075	Above: 10 or 40% Below: 15 or 60%	Min: 79,990 Max: 391,738	202,134
2013	42	164,368	Above: 15 or 36% Below: 27 or 64%	Min: 65,885 Max: 423,728	153,461
2014	47	178,471	Above: 19 or 40% Below: 28 or 60%	Min: 54,273 Max: 571,866	152,713
2015	52	146,907	Above: 25 or 48% Below: 27 or 52%	Min: 36,316 Max: 334,483	144,686
2016	46	182,360	Above: 20 or 43% Below: 26 or 57%	Min: 57,969 Max: 334,483	156,906
2017	39	182,493	Above: 20 or 51% Below: 19 or 49%	Min: 50,508 Max: 548,928	184,558
2018	45	158,561	Above: 24 or 53% Below: 21 or 47%	Min: 52,143 Max: 294,980	161,996
2019	46	149,288	Above: 22 or 48% Below: 24 or 52%	Min: 61,580 Max: 312,696	144,182
2020	28	163,411	Above: 14 or 50% Below: 14 or 50%	Min: 42,488 Max: 300,789	163,976
2021	19	107,751	Above: 9 or 47% Below: 10 or 53%	Min: 46,986 Max: 185,614	94,253
2022	40	111,970	Above: 16 or 40% Below: 24 or 60%	Min: 38,713 Max: 254,415	99,376
Total*	483	169,907	Above: 216 or 45% Below: 267 or 55%	Min: 36,316 Max: 779,311	161,996

Table #4c
Average Gift Card Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets and Franchised Outlets	2023 Average GC Sales	Number & % Above/Below Average	2023 Min/Max GC Sales	2023 Median GC Sales
2008 and Prior	20	246,794	Above: 8 or 40% Below: 12 or 60%	Min: 75,712 Max: 779,311	192,956
2009	7	251,284	Above: 2 or 29% Below: 5 or 71%	Min: 139,030 Max: 440,386	193,083
2010	9	316,645	Above: 4 or 44% Below: 5 or 56%	Min: 184,282 Max: 601,077	289,307
2011	23	241,301	Above: 10 or 43% Below: 13 or 57%	Min: 84,417 Max: 579,538	229,880
2012	25	212,075	Above: 10 or 40% Below: 15 or 60%	Min: 79,990 Max: 391,738	202,134
2013	43	163,774	Above: 15 or 35% Below: 28 or 65%	Min: 65,885 Max: 423,728	153,074
2014	49	180,167	Above: 20 or 41% Below: 29 or 59%	Min: 54,273 Max: 571,866	158,113
2015	55	153,329	Above: 27 or 49% Below: 28 or 51%	Min: 36,316 Max: 335,250	147,296
2016	47	182,413	Above: 21 or 45% Below: 26 or 55%	Min: 57,969 Max: 401,197	157,608
2017	40	182,811	Above: 21 or 53% Below: 19 or 48%	Min: 50,508 Max: 548,928	186,774
2018	46	161,791	Above: 24 or 52% Below: 22 or 48%	Min: 52,143 Max: 307,147	164,316
2019	47	151,699	Above: 21 or 45% Below: 26 or 55%	Min: 61,580 Max: 312,696	144,963
2020	28	163,411	Above: 14 or 50% Below: 14 or 50%	Min: 42,488 Max: 300,789	163,976
2021	19	107,751	Above: 9 or 47% Below: 10 or 53%	Min: 46,986 Max: 185,614	94,253
2022	40	111,970	Above: 16 or 40%	Min: 38,713	99,376

Opening Year	2023 Subsidiary Outlets and Franchised Outlets	2023 Average GC Sales	Number & % Above/Below Average	2023 Min/Max GC Sales	2023 Median GC Sales
			Below: 24 or 60%	Max: 254,415	
Total*	498	173,095	Above: 222 or 45% Below: 276 or 55%	Min: 36,316 Max: 779,311	163,976

Table #5a
Average Retail Sales for Subsidiary Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets	2023 Average Retail Sales	Number & % Above/Below Average	2023 Min/Max Retail Sales	2023 Median Retail Sales
2009	1	98,881	n/a	n/a	n/a
2010	2	108,264	Above: 1 or 50% Below: 1 or 50%	Min: 103,449 Max: 113,079	108,264
2011	2	195,117	Above: 1 or 50% Below: 1 or 50%	Min: 104,433 Max: 285,800	195,117
2013	1	65,994	n/a	n/a	n/a
2014	2	103,460	Above: 1 or 50% Below: 1 or 50%	Min: 83,565 Max: 123,355	103,460
2015	3	119,106	Above: 2 or 67% Below: 1 or 33%	Min: 71,970 Max: 147,098	138,249
2016	1	102,844	n/a	n/a	n/a
2017	1	88,658	n/a	n/a	n/a
2018	1	102,896	n/a	n/a	n/a
2019	1	138,302	n/a	n/a	n/a
Total*	15	117,905	11/4	65,994	103,178

Table #5b
Average Retail Sales for Franchised Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Franchised Outlets	2023 Average Retail Sales	Number & % Above/Below Average	2023 Min/Max Retail Sales	2023 Median Retail Sales
2008 and Prior	20	112,673	Above: 9 or 45% Below: 11 or 55%	Min: 43,432 Max: 320,432	100,111
2009	6	108,378	Above: 3 or 50%; Below: 3 or 50%	Min: 43,731 Max: 170,815	114,509
2010	7	79,171	Above: 2 or 29% Below: 5 or 71%	Min: 51,632 Max: 165,185	65,610
2011	21	68,277	Above: 9 or 43% Below: 12 or 57%	Min: 22,674 Max: 150,000	60,818
2012	25	67,160	Above: 10 or 40% Below: 15 or 60%	Min: 7,311 Max: 162,649	61,111
2013	42	75,614	Above: 13 or 31% Below: 29 or 69%	Min: 21,767 Max: 266,806	60,869
2014	47	68,027	Above: 19 or 40% Below: 28 or 60%	Min: 21,386 Max: 195,293	61,069
2015	52	66,596	Above: 25 or 48% Below: 27 or 52%	Min: 1,819 Max: 158,354	66,318
2016	46	70,257	Above: 20 or 43% Below: 26 or 57%	Min: 11,625 Max: 193,175	67,589
2017	39	67,937	Above: 16 or 41% Below: 23 or 59%	Min: 9,246 Max: 216,507	59,232
2018	45	57,339	Above: 19 or 42% Below: 26 or 58%	Min: 14,358 Max: 134,646	51,495
2019	46	52,372	Above: 20 or 43% Below: 26 or 57%	Min: 9,223 Max: 122,390	49,646
2020	28	55,655	Above: 14 or 50% Below: 14 or 50%	Min: 5,903 Max: 120,882	54,626
2021	19	38,491	Above: 7 37% Below: 12 or 63%	Min:11,118 Max:78,601	35,827
2022	40	40,221	Above: 13 or 33% Below: 27 or 68%	Min:15,765 Max: 183,769	34,702

Opening Year	2023 Franchised Outlets	2023 Average Retail Sales	Number & % Above/Below Average	2023 Min/Max Retail Sales	2023 Median Retail Sales
Total*	483	64,485	Above: 199 or 41% Below: 284 or 59%	Min: 1,819 Max: 320,432	60,869

Table #5c
Average Retail Sales for All Outlets by Year of Opening
Open 12 months or more
Calendar Year 2023

Opening Year	2023 Subsidiary Outlets & Franchised Outlets	2023 Average Retail Sales	Number and % Above/Below Average	2023 Min/Max Retail Sales	2023 Median Retail Sales
2008 and Prior	20	112,673	Above: 9 or 45% Below: 11 or 55%	Min: 43,432 Max: 320,432	100,111
2009	7	107,022	Above: 3 or 43% Below: 4 or 57%	Min: 43,731 Max: 170,815	103,540
2010	9	85,636	Above: 3 or 33% Below: 6 or 67%	Min:51,632 Max: 165,185	70,337
2011	23	79,307	Above: 10 or 43% Below: 13 or 57%	Min: 22,674 Max: 285,800	64,554
2012	25	67,160	Above: 10 or 40% Below: 15 or 60%	Min: 7,311 Max: 162,649	61,111
2013	43	75,390	Above: 13 or 30% Below: 30 or 70%	Min: 21,767 Max: 266,806	61,194
2014	49	69,473	Above: 20 or 41% Below: 29 or 59%	Min: 21,386 Max: 195,293	61,757
2015	55	69,460	Above: 23 or 42% Below: 32 or 58%	Min: 1,819 Max: 158,354	67,184
2016	47	70,951	Above: 20 or 43% Below: 27 or 57%	Min: 11,625 Max: 193,175	69,330
2017	40	68,455	Above: 17 or 43% Below: 23 or 58%	Min: 9,246 Max: 216,507	59,661
2018	46	58,330	Above: 19 or 41%	Min: 14,358	51,968

Opening Year	2023 Subsidiary Outlets & Franchised Outlets	2023 Average Retail Sales	Number and % Above/Below Average	2023 Min/Max Retail Sales	2023 Median Retail Sales
			Below: 27 or 59%	Max: 134,646	
2019	47	54,200	Above: 20 or 43% Below: 27 or 57%	Min: 9,223 Max: 138,302	49,730
2020	28	55,655	Above: 14 or 50% Below: 14 or 50%	Min: 5,903 Max: 120,882	54,626
2021	19	38,491	Above: 7 or 37% Below: 12 or 63%	Min: 11,118 Max: 78,601	35,827
2022	40	40,221	Above: 13 or 33% Below: 27 or 68%	Min: 15,765 Max: 183,769	34,702
Total*	498	66,091	Above: 201 or 40% Below: 297 or 60%	Min: 1,819 Max: 320,432	61,194

Table #6
Average Size, First Year Net Rent and Landlord Allowance for Franchised Outlets
First Opened During 2023

Room Count	# Openings	Avg. Size	# and % Above/Below Avg.	Median Size	Min/Max Size	Avg. Rent	# and % Above/Below Avg.	Median Rent	Min/Max Rent	Avg. Landlord Contribution	# and % Above/Below Avg.	Median Landlord Contribution	Min /Max Landlord Contribution
7-9	10	2,408	Above: 5 or 50% Below: 5 or 50%	2,431	Min: 1,860 Max: 2,830	\$95,237	Above: 4 or 40% Below: 6 or 60%	\$89,277	Min: \$71,217 Max: \$133,280	\$147,406	Above: 5 or 50% Below: 5 or 50%	\$136,119	Min: \$51,054 Max: \$259,417
10-12	9	3,005	Above: 3 or 33% Below: 6 or 67%	2,980	Min: 2,400 Max: 3,500	\$113,306	Above: 5 or 56% Below: 4 or 44%	\$115,600	Min: \$72,480 Max: \$156,634	\$105,634	Above: 3 or 38% Below: 5 or 62%	\$85,767	Min: \$- Max: \$186,089
13-15	1	3,870	0/0	3,870	3,870	\$97,021	0	\$97,021	\$97,021	\$95,879	0	\$95,879	\$95,879

Room Count	# Openings	Avg. Size	# and % Above/ Below Avg.	Median Size	Min/Max Size	Avg. Rent	# and % Above/ Below Avg.	Median Rent	Min/Max Rent	Avg. Landlord Contribution	# and % Above/ Below Avg.	Median Landlord Contribution	Min /Max Landlord Contribution
Total	20	2,750	Above: 11 or 55% Below: 9 or 45%	2,787	Min: 1,860 Max: 3,870	\$103,457	Above: 10 or 54% Below: 10 or 46%	\$102,730	Min: \$71,217 Max: \$156,634	\$127,106	Above: 8 or 42% Below: 11 or 58%	\$118,391	Min: \$- Max: \$259,417

Table #7*
Corporate Spa Average Revenue and Expenses for Fourteen (14) Subsidiary Outlets for the Calendar Year 2023

	Average	Median	# / % Attaining or Exceeding Average	High/Low
Gross Sales	\$2,156,024	\$1,947,740	6 and 42.9%	\$1,259,152 / \$3,422,872
Labor and Benefit Costs	\$997,807	\$968,703	6 and 42.9%	\$623,232 / \$1,511,219
Occupancy Costs	\$141,054	\$136,070	6 and 42.9%	\$99,637 / \$180,255
Royalties/National Marketing	\$149,083	\$136,342	6 and 42.9%	\$88,141 / \$239,601
Other Operating Costs	\$384,143	\$358,557	5 and 35.7%	\$292,465 / \$581,548

***See Note 11.**

Notes to this Item 19:

1. 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.

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

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

4. “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 \$89.95 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.

5. “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.

6. “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.

7. “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.

8. “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.

9. “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 20 franchised outlets that opened in 2023.

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

11. Table #7 reflects certain performance information for the fourteen (14) Subsidiary Outlets that were owned and operated by our affiliates for the entirety of the 2023 Calendar Year. One (1) of the fifteen (15) Subsidiary Outlets were excluded from the results presented in Table #7 because they were acquired by our affiliate in the 2023 Calendar Year. The fourteen (14) Subsidiary Outlets are mature

businesses that have been in operation for between three (3) years and thirteen (13) years. Fourteen of the Subsidiary Outlets are located in Florida and 1 Subsidiary Outlet is located in New Jersey. Table #7 reflects the following average expenses for the 14 Subsidiary Outlets during the 2023 Calendar Year, as reported to us by the 14 Subsidiary Outlets:

- a. “Gross Sales”, or the average of all Gross Sales for the 14 Subsidiary Outlets during the 2023 Calendar Year.
- 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 14 Subsidiary Outlets during the 2023 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 14 Subsidiary Outlets during the 2023 Calendar Year.
- d. “Royalties / National Marketing” means the total Royalty Fees and National Marketing Fees paid to us by the 14 Subsidiary Outlets during the 2023 Calendar Year.
- e. “Other Operating Costs” includes the following expenses incurred by the 14 Subsidiary Outlets during the 2023 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 Table #7 do not include all expenses incurred by the 14 Subsidiary Outlets during the 2023 Calendar Year. You may incur additional costs and expenses.
- g. The performance information presented in Table #7 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.

Assumptions

1. With the exception of the limited expense information presented in Table #7 for the 14 Subsidiary Outlets, this analysis does 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. 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.

3. **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 2021, 2022, and 2023

Outlet Type	Year	Outlets at the start of the year	Outlets at the end of the year	Net Change
Franchised	2021	449	461	+12
	2022	461	487	+26
	2023	487	527	+40*
Company-Owned	2021	2	12	+10
	2022	12	14	+2
	2023	14	15	+1
Total Outlets	2021	451	473	+22
	2022	473	501	+28
	2023	501	542	+41

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

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2021, 2022, and 2023

State	Year	Number of Transfers
AZ	2021	2
	2022	2
	2023	0
CA	2021	0
	2022	0
	2023	0
CO	2021	4
	2022	3
	2023	0
DE	2021	1
	2022	0

State	Year	Number of Transfers
	2023	0
FL	2021	2
	2022	8
	2023	6
GA	2021	0
	2022	2
	2023	2
IL	2021	2
	2022	2
	2023	0
IN	2021	0
	2022	1
	2023	0
MA	2021	0
	2022	0
	2023	1
MI	2021	1
	2022	0
	2023	0
NC	2021	3
	2022	1
	2023	11
NJ	2021	9
	2022	4
	2023	5
NY	2021	2
	2022	3
	2023	3
OH	2021	2
	2022	1
	2023	5
OR	2021	4
	2022	0
	2023	0
PA	2021	2

State	Year	Number of Transfers
	2022	4
	2023	2
SC	2021	0
	2022	0
	2023	1
TN	2021	0
	2022	0
	2023	1
TX	2021	1
	2022	2
	2023	3
UT	2021	0
	2022	0
	2023	0
VA	2021	2
	2022	0
	2023	0
WI	2021	0
	2022	1
	2023	0
WA	2021	0
	2022	1
	2023	0
Total	2021	37
	2022	35
	2023	40

Table No. 3
Status of Franchised Outlets
For years 2021, 2022, and 2023

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	2021	1	1	0	0	0	0	2
	2022	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
	2023	3	3	0	0	0	0	6
Arizona	2021	14	1	0	0	0	0	15
	2022	15	1	0	0	0	0	16
	2023	16	0	0	0	0	0	16
California	2021	20	0	0	0	0	0	20
	2022	20	1	1	0	0	0	20
	2023	20	7	0	0	0	0	27
Colorado	2021	18	0	0	0	0	0	18
	2022	18	1	0	0	0	0	19
	2023	19	1	0	0	0	0	20
Connecticut	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	2	0	0	0	0	3
Delaware	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
Florida	2021	66	3	0	0	10	0	59
	2022	59	8	1	0	3	0	63
	2023	63	5	0	0	1	0	67
Georgia	2021	8	0	0	0	0	0	8
	2022	8	0	1	0	0	0	7
	2023	7	1	0	0	0	0	8
Idaho	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Illinois	2021	16	0	0	0	0	0	16
	2022	16	1	0	0	0	0	17
	2023	17	0	0	0	0	0	17
Indiana	2021	3	1	0	0	0	0	4
	2022	4	1	0	0	0	0	5

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	5	0	0	0	0	0	5
Kansas	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Kentucky	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Maryland	2021	7	1	0	0	0	0	8
	2022	8	3	0	0	0	0	11
	2023	11	1	0	0	0	0	12
Massachusetts	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	1	0	0	0	4
Michigan	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	10	0	0	0	0	19
Minnesota	2021	3	0	0	0	0	0	3
	2022	3	1	0	0	0	0	4
	2023	4	0	0	0	0	0	4
Missouri	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Nebraska	2021	1	1	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	0	2
Nevada	2021	2	0	0	0	0	0	2
	2022	2	1	0	0	0	0	3
	2023	3	0	0	0	0	0	3
New Hampshire	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
	2023	2	0	0	0	0	0	2
New Jersey	2021	59	0	0	0	0	0	59
	2022	59	1	0	0	0	0	60
	2023	60	1	0	0	0	0	61
New York	2021	20	2	0	0	0	0	22
	2022	22	0	0	0	0	0	22
	2023	22	0	1	0	0	0	21
North Carolina	2021	24	2	0	0	0	0	26
	2022	26	1	0	0	0	0	27
	2023	27	1	0	0	0	0	28
Ohio	2021	14	0	0	0	0	0	14
	2022	14	2	0	0	0	0	16
	2023	16	4	0	0	0	0	20
Oklahoma	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Oregon	2021	7	0	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	0	0	0	0	0	7
Pennsylvania	2021	43	3	0	0	0	0	46
	2022	46	1	0	0	0	0	47
	2023	47	2	0	0	0	0	49
South Carolina	2021	6	1	0	0	0	0	7
	2022	7	0	0	0	0	0	7
	2023	7	1	0	0	0	0	8
Tennessee	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Texas	2021	50	5	0	0	0	0	55
	2022	55	6	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
	2023	61	1	0	0	0	0	62
Utah	2021	3	0	0	0	0	0	3
	2022	3	3	0	0	0	0	6
	2023	6	1	0	0	0	0	7
Virginia	2021	18	1	0	0	0	0	19
	2022	19	0	0	0	0	0	19
	2023	19	1	0	0	0	0	20
Washington	2021	11	0	0	0	0	0	11
	2022	11	0	1	0	0	0	10
	2023	10	0	0	0	0	0	10
Wisconsin	2021	4	0	0	0	0	0	4
	2022	4	1	2	0	0	0	3
	2023	3	1	0	0	0	0	4
Total	2021	449	22	0	0	10	0	461
	2022	461	35	6	0	3	0	487
	2023	487	43	2	0	1	0	527

Table No. 4
Status of Company-Owned* Outlets
For years 2021, 2022, and 2023

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	2021	2	0	0	0	0	2
	2022	2	0	0	1	0	1
	2023	1	0	0	0	0	1
Florida	2021	0	0	10	0	0	10
	2022	10	0	3		0	13
	2023	13	0	1	0	0	14
Total	2021	2	0	10	0	0	12

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
	2022	12	0	3	1	0	14
	2023	14	0	1	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. We do not own or operate any Hand and Stone Massage and Facial Spa units.

Table No. 5
Projected Openings as of December 31, 2023

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	1	0
Arizona	1	0	0
California	1	1	0
Colorado	0	0	0
Florida	21	9	0
Georgia	1	1	0
Hawaii	2	1	0
Idaho	0	0	0
Illinois	9	4	0
Indiana	1	1	0
Kansas	1	0	0
Kentucky	0	0	0
Louisiana	2	1	0
Massachusetts	0	0	0
Maryland	2	1	0
Michigan	2	1	0
Minnesota	0	0	0
New Jersey	1	1	0
Nevada	0	0	0
New York	1	1	0
North Carolina	4	1	0
Ohio	9	4	0
Oregon	0	0	0
Pennsylvania	4	2	0
South Carolina	6	4	0
Tennessee	6	2	0

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
Texas	6	3	0
Utah	2	2	0
Virginia	1	3	0
Washington	0	0	0
Wisconsin	0	1	0
Wyoming	0	0	0
Total	88	45	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 and regional developer 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 Exhibits F and H 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, 2021, December 31, 2022, and December 31, 2023. Our fiscal year end is December 31.

ITEM 22

CONTRACTS

Exhibit D:	Franchise Agreement (with exhibits).
Exhibit J:	Software Sublicense Agreement
Exhibit K:	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> 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 2101 Arena Blvd. Sacramento, CA 95834 (916) 445-7205 1350 Front Street San Diego, CA 92101 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565	<u>CONNECTICUT</u> State of Connecticut Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103-1800 (860) 240-8230 Agent: Banking Commissioner
<u>HAWAII</u> (state administrator) Business Registration Division Department of Commerce and Consumer Affairs 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 (agent for service of process) Commissioner of Securities State of Hawaii 335 Merchant Street Honolulu, Hawaii 96813 (808) 586-2722	<u>ILLINOIS</u> Franchise Bureau Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465

<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 500 St. Paul, Minnesota 55101-2198 (651) 296-6328</p> <p>(for service of process) Minnesota Commissioner of Commerce</p>
<p><u>NEW YORK</u> (state administrator)</p> <p>Officer of the New York Attorney General Investor Protection Bureau Franchise Section 28 Liberty Street, 21st Floor New York, NY 10005 (212) 416-8236 (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, Fifth Floor, Dept. 414 600 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 Securities Department of Revenue & Regulation 445 East Capitol Avenue Pierre, South Dakota 57501 (605) 773-4823</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) 902-8760</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 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703 (608) 266-1064</p> <p>(for service of process) Administrator, Division of Securities Department of Financial Institutions 345 W. Washington Ave., 4th Floor Madison, Wisconsin 53703</p>

EXHIBIT B TO THE DISCLOSURE DOCUMENT
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FINANCIAL STATEMENTS

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Financial Report
December 31, 2023

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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>
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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.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Financial Report
December 31, 2022

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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 its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 (Successor) and 2021 (Predecessor), the related consolidated statements of operations, changes in stockholders' and member's equity and cash flows for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (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, 2022 (Successor) and 2021 (Predecessor), and the results of their operations and their cash flows for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Company was acquired through an Agreement and Plan of Merger on June 2, 2022, which has resulted in a change in control. Our opinion is not modified with respect to this matter.

Emphasis of Matter—Change in Accounting Policy

As discussed in Note 8 to the consolidated financial statements, in 2022, the Company adopted new accounting guidance for its leases under Financial Accounting Standards Board's Accounting Standards Codification Topic 842, Leases. Our opinion is not modified with respect to this matter.

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
May 17, 2023

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 (Successor) and 2021 (Predecessor)

	2022 (Successor)	2021 (Predecessor)
Assets		
Current assets:		
Cash	\$ 7,638,195	\$ -
Accounts receivable	5,666,113	2,347,253
Inventory	837,614	526,713
Notes receivable	-	2,908,392
Deferred opening expenses	383,921	388,960
Other current assets	153,622	19,902
Prepaid expense	2,235,793	1,370,781
Total current assets	16,915,258	7,562,001
Property and equipment, net	971,419	1,140,705
Other assets:		
Intangible assets, net	293,904,007	54,370,000
Goodwill, net	579,525,545	37,208,072
Deferred opening expenses, net of current portion	-	2,429,701
Security deposits	54,053	54,053
Territory assets, net	-	14,873,638
Leases, right-of-use assets	6,316,258	-
Total other assets	879,799,863	108,935,464
Total assets	\$ 897,686,540	\$ 117,638,170

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Balance Sheets

December 31, 2022 (Successor) and 2021 (Predecessor)

	2022 (Successor)	2021 (Predecessor)
Liabilities and Stockholders' Equity and Member's Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 15,427,190	\$ 13,219,568
Gift card liability	4,853,094	5,909,404
Deferred revenue	936,113	1,327,082
Deferred revenue, spa	17,077,019	10,679,902
Lease liabilities—current	1,200,968	-
Total current liabilities	39,494,384	31,135,956
Long-term liabilities:		
Deferred revenue, net of current portion	8,685,747	8,305,553
Deferred tax liability	53,679,208	12,687,498
Lease liabilities—non current	5,226,257	-
Total long-term liabilities	67,591,212	20,993,051
Total liabilities	107,085,596	52,129,007
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock (1,000,000 authorized, 870,328 issued and outstanding)	-	870
Additional paid-in capital	-	37,466,927
Retained earnings	-	28,041,366
Total stockholders' equity	-	65,509,163
Member's equity	790,600,944	-
Total stockholders' and member's equity	790,600,944	65,509,163
Total liabilities and stockholders' and member's equity	\$ 897,686,540	\$ 117,638,170

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Operations

Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	2021 (Predecessor)
Revenues:			
Royalties	\$ 21,438,987	\$ 13,916,876	\$ 30,079,795
Initial license fees	692,861	381,392	1,182,151
Regional developer fees	19,229	20,188	87,278
Franchisee spa sales	11,598,299	8,284,500	5,992,531
Equipment sales	1,552,273	1,177,837	2,060,177
Marketing and advertising fees	18,017,365	10,436,286	25,174,691
Gift certificate revenue	2,733,240	1,827,609	4,784,249
Franchisee IT support fees	2,374,572	1,606,753	3,392,589
HS Design	121,777	38,276	334,416
Other revenues	2,830,749	1,540,036	3,495,221
Total revenues	61,379,352	39,229,753	76,583,098
Expenses:			
Selling, general and administration expenses	35,950,624	26,524,403	45,733,184
Cost of goods sold—equipment	1,233,786	972,114	1,739,077
Amortization of goodwill and intangible assets	50,401,361	8,014,700	11,971,207
Transaction expenses	184,071	12,766,161	717,032
Total expenses	87,769,842	48,277,378	60,160,500
(Loss) income from operations	(26,390,490)	(9,047,625)	16,422,599
Other income:			
Other income	77,161	42,193	227,562
Total other income	77,161	42,193	227,562
(Loss) income before provision for income taxes	(26,313,329)	(9,005,432)	16,650,161
Provision for income taxes	(2,088,692)	(188,873)	(5,668,572)
Net (loss) income	\$ (28,402,021)	\$ (9,194,305)	\$ 10,981,589

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Changes in Stockholders' and Member's Equity Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Common Stock, Class A				Additional	Retained	Total
	Number of Shares Outstanding	Amount			Paid-in Capital	Earnings	Stockholders' Equity
(Predecessor)							
Balance, December 31, 2020	870,328	\$ 870	\$	41,998,836	\$ 17,059,777	\$	59,059,483
Stock based compensation	-	-		130,355	-		130,355
Dividends, net	-	-		(4,662,264)	-		(4,662,264)
Net income	-	-		-	10,981,589		10,981,589
Balance, December 31, 2021	870,328	\$ 870	\$	37,466,927	\$ 28,041,366	\$	65,509,163
(Predecessor)							
Balance, January 1, 2022	870,328	\$ 870	\$	37,466,927	\$ 28,041,366	\$	65,509,163
Stock based 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

See notes to consolidated financial statements.

Hand and Stone Franchise LLC and Subsidiaries

Consolidated Statements of Cash Flows

Period From June 2, 2022 to December 31, 2022 (Successor), Period From January 1, 2022 to June 1, 2022 (Predecessor) and Year Ended December 31, 2021 (Predecessor)

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	2021 (Predecessor)
Cash flows from operating activities:			
Net income (loss)	\$ (28,402,021)	\$ (9,194,305)	\$ 10,981,589
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	50,452,189	8,204,759	12,046,225
Stock based compensation	-	51,302	130,355
Deferred income taxes	1,062,552	175,314	(556,414)
(Increase) decrease in:			
Accounts and notes receivable	(15,915)	(3,302,945)	(2,502,835)
Inventory	306,807	(554,527)	184,264
Deferred opening expenses	95,684	(696,164)	260,567
Prepaid expenses	(699,866)	(165,145)	(364,661)
Security deposits and other assets	534,104	(667,824)	2,676
Leases, right-of-use assets	110,967	-	-
Increase (decrease) in:			
Accounts payable and accrued expenses	482,804	3,949,566	3,390,118
Gift card liability	(616,181)	(440,129)	(708,578)
Deferred revenue	(96,318)	85,543	732,328
Deferred revenue, spa	411,515	343,631	363,650
Net cash provided by (used in) operating activities	23,626,321	(2,210,924)	23,959,284
Cash flows from investing activities:			
Acquisition of businesses, net of cash acquired	(820,914,714)	-	(11,879,798)
Acquisition of territory	-	(19,749,000)	(10,000,000)
Purchase of property and equipment	(543,016)	(45,025)	(311,382)
Net cash used in investing activities	(821,457,730)	(19,794,025)	(22,191,180)
Cash flows from financing activities:			
Capital contributions, net	800,842,608	26,631,945	-
Dividends, net	-	-	(4,662,264)
Net cash provided by (used in) financing activities	800,842,608	26,631,945	(4,662,264)
Net increase (decrease) in cash and restricted cash	3,011,199	4,626,996	(2,894,160)
Cash:			
Beginning	4,626,996	-	2,894,160
Ending	\$ 7,638,195	\$ 4,626,996	\$ -

See notes to consolidated financial statements.

Hand and Stone Franchise Corp. 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 13 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 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 Corp. 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 per month 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 Corp. 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.

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 of \$1,488,818, \$888,885 and \$836,751 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (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 \$383,921 and \$2,818,661 at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), 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 a portion of 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 period from June 2, 2022 to December 31, 2022 (Successor), for the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor):

	December 31, 2022 (Successor)	June 1, 2022 (Predecessor)	December 31, 2021 (Predecessor)
Revenue recognized over time	\$ 692,861	\$ 381,392	\$ 1,196,228
Revenue recognized at a point in time	60,686,491	38,848,361	75,386,870
	<u>\$ 61,379,352</u>	<u>\$ 39,229,753</u>	<u>\$ 76,583,098</u>

Hand and Stone Franchise Corp. 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.

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.

Notes receivable: Notes receivable consists of advances to management on future bonuses and an advance to a related party which were repaid in the period from January 1, 2022 to June 1, 2022 (Predecessor).

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, 2022 (Successor) and December 31, 2021 (Predecessor), there were 515 and 473 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.

Hand and Stone Franchise Corp. 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. Advertising expense for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), was \$733,061, \$497,871 and \$643,782, respectively.

Stock option plan: The Company accounts for stock options in accordance with FASB Accounting Standards Codification (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 period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021, was \$0, \$3,812,195 and \$3,227,381, 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, 2022 (Successor) and December 31, 2021 (Predecessor), represents gift cards that have been sold prior to the 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, 2022 (Successor) and December 31, 2021 (Predecessor), was \$4,853,094 and \$5,909,404, respectively. The Company recognized gift card breakage revenue of \$1,228,420, \$925,000 and \$3,889,781 for the period from June 2, 2022 to December 31, 2022 (Successor), January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor).

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 Corp. 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 twelve months. The Company is no longer subject to U.S. federal and state tax exemptions for the year prior to 2019. 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 IRS limits. The Company contributed \$136,949, \$99,853 and \$205,670 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (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 income (loss) over the lease term.

The Company made an accounting policy election not to recognize right of use assets and lease liabilities for leases with a term of twelve months or less. For leases with a term exceeding twelve 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 right-of-use (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).

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 twelve 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 Corp. 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 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. 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.

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. Indefinite lived intangibles are subject to an annual impairment test using a two-step process prescribed by guidance issued by the FASB. The first step tests for potential impairment, while the second step measures the amount of impairment, if any. The Company performs the required annual impairment test during December of each year.

Recent accounting pronouncements: In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

Hand and Stone Franchise Corp. 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 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.

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Acquisition of Businesses (Continued)

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>

Pursuant to an asset purchase agreement (APA) dated July 9, 2021, the Company acquired all of the assets and assumed liabilities of several franchised spas located in Florida for a total consideration of \$5,249,420.

The purchase price has been allocated as follows:

Cash	\$ 2,400
Prepaid expenses	35,256
Security deposit	11,763
Inventory	124,236
Goodwill	9,075,321
	<u>9,248,976</u>
Accounts payable and accrued expenses	300,000
Deferred revenue	3,699,556
	<u>3,999,556</u>
	<u>\$ 5,249,420</u>

Pursuant to an APA dated September 29, 2021, the Company acquired all of the assets and assumed liabilities of several additional franchised spas located in Florida for a total consideration of \$6,638,778.

The purchase price has been allocated as follows:

Cash	\$ 6,000
Property equipment	951
Security deposit	40,689
Inventory	225,596
Goodwill	11,132,678
	<u>11,405,914</u>
Accounts payable and accrued expenses	450,000
Deferred revenue	4,317,136
	<u>4,767,136</u>
	<u>\$ 6,638,778</u>

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 2. Acquisition of Businesses (Continued)

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 \$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.

Note 3. Goodwill and Intangible Assets

The gross carrying amount and accumulated amortization of identifiable intangible assets consists of the following at December 31, 2022 (Successor) and December 31, 2021 (Predecessor):

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

December 31, 2021 (Predecessor)				
	Weighted Average Life	Cost	Accumulated Amortization	Net Book Value
Trade names	Indefinite	\$ 33,800,000	\$ -	\$ 33,800,000
Franchise agreements	15 years	37,400,000	(16,830,000)	20,570,000
Program material	4 years	510,000	(510,000)	-
		<u>\$ 71,710,000</u>	<u>\$ (17,340,000)</u>	<u>\$ 54,370,000</u>

Intangible assets amortization expense was \$15,016,993, \$1,038,890 and \$2,493,314 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

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

2023	\$ 25,743,417
2024	25,743,417
2025	25,743,417
2026	25,743,417
2027	25,743,417
Thereafter	165,186,922
	<u>\$ 293,904,007</u>

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Goodwill and Intangible Assets (Continued)

The following summarizes the changes to goodwill during the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor):

Goodwill, December 31, 2020 (Predecessor)	\$ 23,040,647
Goodwill acquired	20,207,999
Goodwill amortization	<u>(6,040,574)</u>
Goodwill, December 31, 2021 (Predecessor)	37,208,072
Goodwill acquired	-
Goodwill amortization	<u>(3,163,615)</u>
Goodwill, June 1, 2022 (Predecessor)	<u>\$ 34,044,457</u>
Goodwill, June 2, 2022 (Successor)	\$ -
Goodwill acquired	614,909,912
Goodwill amortization	<u>(35,384,367)</u>
Goodwill, December 2022 (Successor)	<u>\$ 579,525,545</u>

Goodwill amortization expense was \$35,384,367, \$3,163,615 and \$6,040,574 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

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

2023	\$ 61,490,991
2024	61,490,991
2025	61,490,991
2026	61,490,991
2027	61,490,991
Thereafter	<u>272,070,590</u>
	<u>\$ 579,525,545</u>

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 4. Property and Equipment

Property and equipment at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), consists of the following:

	December 31, 2022 (Successor)	December 31, 2022 (Predecessor)
Furniture and fixtures	\$ 3,926	\$ 124,083
Machinery and equipment	164,816	232,044
Leasehold improvements	627,318	698,312
Design project	12,189	48,150
Enterprise software	145,915	715,584
Franchise development website	67,393	309,552
Business intelligence	690	455,478
	<u>1,022,247</u>	<u>2,583,203</u>
Accumulated depreciation and amortization	(50,828)	(1,442,498)
Total property and equipment, net	<u>\$ 971,419</u>	<u>\$ 1,140,705</u>

Depreciation and amortization expense on property and equipment was \$50,828, \$81,561 and \$284,935 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively.

Note 5. Income Taxes

On December 22, 2017, H.R. 1, An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, previously known as the Tax Cuts and Jobs Act, was signed into law (Tax Reform Legislation). The Tax Reform Legislation is subject to further clarification by the issuance of future technical guidance by the U.S. Department of the Treasury and/or future technical correction legislation.

The Tax Reform Legislation provides for a permanent reduction in the Federal corporate income tax rate to 21% effective January 1, 2018, among other provisions.

The total income tax expense for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), comprise the following:

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	Year Ended December 31, 2021 (Predecessor)
Current provision:			
Federal and state	\$ 1,026,139	\$ 13,559	\$ 6,224,986
Deferred provision:			
Federal and state	1,062,553	175,314	(556,414)
	<u>\$ 2,088,692</u>	<u>\$ 188,873</u>	<u>\$ 5,668,572</u>

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Income Taxes (Continued)

Components of the Company's deferred tax assets (liabilities) at December 31, 2022 (Successor) and December 31, 2021 (Predecessor), are as follows:

	December 31, 2022 (Successor)	December 31, 2021 (Predecessor)
Noncurrent assets (liabilities):		
Property and equipment	\$ (106,569)	\$ (49,039)
Deferred revenue, net	3,164,458	3,303,232
Intangible assets	(75,549,522)	(16,223,519)
Stock option expense	-	260,859
GAAP rent expense	-	20,969
Net operating loss	18,734,515	-
Other	77,910	-
Total deferred tax liabilities, net	<u>\$ (53,679,208)</u>	<u>\$ (12,687,498)</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, 2022, the Company had federal and state NOL carryforwards of approximately \$71.6 million and \$59.3 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.

Consequently, the Company's utilization of the NOL carryforwards are subject to an annual limitation of approximately \$9 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 \$55.6 million.

Note 6. Stock Options

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.

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 6. Stock Options (Continued)

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

	<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

Stock option expense was \$0, \$51,302 and \$130,355 for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), respectively and was included in selling, general and administrative expenses on the consolidated statements of operations and comprehensive income.

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

Note 7. Cash Flow Information

Supplemental cash flow information for the for the period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor) are as follows:

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)	Year Ended December 31, 2021 (Predecessor)
Supplemental disclosure of cash flow information:			
Cash paid during the year for income taxes	\$ -	\$ -	\$ 3,208,000
Supplemental disclosure of non-cash investing activities:			
Noncash rollover equity related to the acquisition	\$ 13,533,361	\$ -	\$ -
Earnout related to territory acquisition included in accrued expenses	-	-	2,000,000
	<u>\$ 13,533,361</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>

Note 8. 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.

Hand and Stone Franchise Corp. and Subsidiaries

Notes to Consolidated Financial Statements

Note 8. Leases (Continued)

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 period from June 2, 2022 to December 31, 2022 (Successor), the period from January 1, 2022 to June 1, 2022 (Predecessor) and the year ended December 31, 2021 (Predecessor), was \$707,383, \$480,616 and \$765,670, respectively.

As of December 31, 2022, the weighted average of remaining lease term was 6.3 years, and the weighted average discount rate was 2.1%

Future undiscounted cash flows for each of the next five years and thereafter are as follows as of December 31, 2022:

Years ending December 31:

2023	\$ 1,291,457
2024	1,093,779
2025	972,461
2026	971,016
2027	832,512
Thereafter	1,666,161
Total lease payments	6,827,386
Less imputed interest	(400,161)
Total present value of lease liabilities	<u>\$ 6,427,225</u>

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

	Period From June 2, 2022 to December 31, 2022 (Successor)	Period From January 1, 2022 to June 1, 2022 (Predecessor)
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 1,242,064	\$ -

Note 9. Subsequent Events

The Company has evaluated subsequent events occurring after the balance sheet through the date of May 17, 2023, 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, except as noted below.

On May 2, 2023 the Company entered into a Purchase Agreement with a third party in the amount of \$6,000,000 for the rights to a location in Florida.

EXHIBIT D TO THE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

HAND AND STONE FRANCHISE LLC
FRANCHISE AGREEMENT

FRANCHISEE

DATE

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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 – Collateral Assignment and Assumption of Lease
Exhibit E – Acknowledgment of Telephone Number Ownership
Exhibit F – ACH Agreement
Exhibit G – Franchisee Disclosure Acknowledgment Statement

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 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: November 12, 2017; and (vi) HAND AND STONE MASSAGE SPA® (design plus words), U.S. Registration Numbers 5,354,264 Registration Date: November 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 franchises 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 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 in accordance with the provisions contained in Section 11.3.

3.4 **Local Advertising Fees.** In addition to the Marketing Fund Contribution described above, Franchisee shall pay to Franchisor 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’s subsidiary, HSM Advertising, Inc. (“Advertising Agency”), to 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 J, 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 be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including:

(a) a provision reserving to Franchisor the right, at Franchisor's election, to receive an assignment of the leasehold interest upon termination or expiration of the Franchise;

(b) a provision expressly permitting the lessor of the premises to provide Franchisor all sales and other information lessor may have obtained or received relating to the operation of the Franchised Business, as Franchisor may request;

(c) a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

(d) a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Manual, subject only to the provisions of applicable law;

(e) a provision prohibiting the premises from being used for any purpose other than the operation of the Franchised Business;

(f) a provision allowing Franchisor, upon expiration or termination of the lease, to enter the premises and remove any signs containing the Marks; and

(g) a provision stating that upon default of this Agreement, Franchisor or its nominee has the right to take possession of the Approved Location and operate the Franchised Business

(h) a provision requiring that the lessor provide Franchisor notice in the event that Franchisee does not exercise an option to renew the lease term within a time required under the lease.

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, 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, are 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.

7.6 **Relief for Breaches of Confidentiality, Non-Solicitation and Non-Competition.** Franchisee further 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, 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.

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 loan to Franchisee one (1) copy of the Manual or 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 TEN THOUSAND DOLLARS (\$10,000), 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’s 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 the Local Advertising Fee as specified in Section 3.4 above, which will be spent by Franchisor’s Advertising Agency for advertising, promotions and public relations 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, the 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 the 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 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 and the Advertising Agency and subject to Franchisor’s approval.

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. The Marketing Fund is presently maintained and administered by Franchisor’s Advertising Agency as follows:

(a) The 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. The Advertising Agency does 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 the Advertising Agency 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 of Franchisor’s general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund. Marketing Fund Contributions will not be used for the direct solicitation of franchise sales, but Franchisor reserves the right to include a notation in any advertisement indicating “Franchises Available”.

(c) Franchisor 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 and/or the 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 shall be prepared annually and shall be available to Franchisee upon request. 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 nor the Advertising Agency 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 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 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). 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 \$658 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, or until Franchisee demonstrates a proficiency in preparing and submitting to Franchisor correct financial statements of the Franchised Business' operations, 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 the Accounting Firm's then current monthly fee (the "**Accounting Fees**") and the Accounting Fees are subject to future increases. Franchisor may require Franchisee to use the Accounting Firm and pay the Accounting Fees at any time during the term of this Agreement in the event that Franchisee fails to provide Franchisor with accurate financial statements.

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 ("CPRPA") 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 CPRPA, 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 CPRPA, 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, facsimile, 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 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 the 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 the 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 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 twenty (20) 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 twenty (20) 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, Non-Solicitation 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 J, 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 L, 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.

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: Fisher Zucker LLC
Attn: Lane Fisher
21 S. 21st Street
Philadelphia, PA 19103

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 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 Arbiter 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 Arbiter'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 Arbiter 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.

SIGNATURES APPEAR ON FOLLOWING PAGE

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) twenty (20) miles of the premises of Franchisee's HAND AND STONE franchise located at: _____ or (2) twenty (20) 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 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. 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 attorney 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
CONDITIONAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “**Assignment**”) is made, entered into and effective as of the effective date of the Lease (as defined hereinbelow), by, between and among **HAND AND STONE FRANCHISE LLC**, with its principal business address located at 1210 Northbrook Drive, Suite 150, Trevose, PA 19053 (the “**Franchisor**”), and _____ (the “**Franchisee**”).

BACKGROUND INFORMATION

The Franchisor entered into that certain Franchise Agreement (the “**Franchise Agreement**”) dated as of _____, 20____ with the Franchisee, pursuant to which the Franchisee plans to own and operate a HAND AND STONE franchise Franchised Business (the “**Franchised Business**”) located at _____ (the “**Site**”). In addition, pursuant to that certain Lease Agreement (the “**Lease**”), the Franchisee has leased or will lease certain space containing the Franchised Business described therein from _____ (the “**Lessor**”). The Franchise Agreement requires the Franchisee to deliver this Assignment to the Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Lease.
3. **Indemnification of Franchisor:** The Franchisee agrees to indemnify and hold the Franchisor and its affiliates, stockholders, directors, officers and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, the Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Conditional Assignment:** The Franchisee hereby grants to the Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by the Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by the Franchisee under the terms of the Lease, or, in the event the Franchisor makes any payment to the Lessor as a result of the Franchisee’s breach of the Lease, then such payment by the Franchisor, or such breach or default by the Franchisee, shall at Franchisor’s option be deemed to be an immediate default under the Franchise Agreement, and the Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of the Franchisee in and to the

Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of the Franchisor under any other Agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of the Franchisee in and to the Lease until satisfaction in full of all amounts owed by the Franchisee to the Franchisor. In addition, the rights of the Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of the Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** The Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. The Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of the Franchisor. Any attempt at termination, modification or amendment of any of the terms without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by the Franchisee under the terms of the Lease or under the Franchise Agreement, the Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

- a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;
- b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of the Franchisee;
- c) to exclude the Franchisee, its agents or employees from the Site;
- d) as attorney-in-fact for the Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to the Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;
- e) to cancel or terminate any unauthorized agreements or subleases entered into by the Franchisee, for any cause or ground which would entitle the Franchisor to cancel the same;
- f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of the Franchisor; and
- g) to insure and reinsure the same for all risks incidental to the Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of the Franchisee's default under the Lease.

7. **Power of Attorney:** The Franchisee does hereby appoint irrevocably the Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as the Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon the Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of the Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to the Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between the Franchisor and the Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to the Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by the Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by the Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by the Franchisor of any such rights and remedies shall be construed as a waiver by the Franchisor of any future rights and remedies.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon the Franchisor and the Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys' Fees, Etc.** 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 material obligation under this Assignment. If Franchisee institutes any arbitration or legal action against Franchisor to interpret or enforce the terms of this Assignment, 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.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

THE “FRANCHISEE”:

By: _____
Name: _____
Date: _____

THE “FRANCHISOR”:

HAND AND STONE FRANCHISE LLC

By: _____
Name: _____
Title: _____
Date: _____

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

THE “LESSOR”:

By: _____
Name: _____
Title: _____
Date: _____

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 G TO THE FRANCHISE AGREEMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

DO NOT SIGN THIS ACKNOWLEDGMENT STATEMENT IF YOU ARE A MARYLAND RESIDENT OR THE BUSINESS IS TO BE OPERATED IN THIS STATE.

As you know, Hand and Stone Franchise LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Hand and Stone Massage Spa Business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Yes Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes No

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes No

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

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

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this _____ day of _____, 202__.

FRANCHISEE:

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

EXHIBIT E TO THE DISCLOSURE DOCUMENT
LIST OF ACTIVE FRANCHISE OWNERS – 12/31/2023

	Address	Contact Details	Owner
Alabama			
	3800 Gulf Shores Parkway Gulf Shores, Alabama 36542	(251) 283-0800	Jeff Hoover
	935 Bob Wallace Avenue Huntsville, Alabama 35801	(256) 384-1178	Ayesha Patel
	935 Bob Wallace Avenue Huntsville, Alabama 35801	(256) 384-1178	Niru Patel
	8334A Highway 72 W. Madison, Alabama 35758		Niru Patel
	8334A Highway 72 W. Madison, Alabama 35758	(256) 850-1099	Ayesha Patel
	1225 Satchel Paige Drive Mobile, Alabama 36606	(251) 263-0095	Jill Johnson
	10200 Eastern Shore Blvd. Spanish Fort, Alabama 36527	(251) 244-6499	Jill Johnson
	716 Montgomery Highway Vestavia Hills, Alabama 35216	(205) 588-0613	Caroline Goldasich
	716 Montgomery Highway Vestavia Hills, Alabama 35216	(205) 588-0613	John Goldasich
Arizona			
	4940 East Ray Road Phoenix, Arizona 85044	(480) 961-0027	Jeff Flannery

	39504 N. Daisy Mountain Dr. Anthem, Arizona 85086	(623) 551-6602	David Mantione
	39504 N. Daisy Mountain Dr. Anthem, Arizona 85086	(623) 551-6602	Tara Mantione
	2925 South Alma School Road Chandler, Arizona 85286	(480) 665-5600	Jeff Flannery DTRT LLC
	2765 S. Market Street Gilbert, Arizona 85295	(480) 237-4496	Anita Rogers AKR22 Limited, LLC
	3870 W. Happy Valley Road Glendale, Arizona 85310	(623) 200-5300	Jeff Flannery
	1981 N Pebble Creek Parkway Goodyear, Arizona 85395	(623) 934-3562	Jeff Flannery Rejuvenate Inc.
	31309 N. Scottsdale Rd. Scottsdale, Arizona 85266	(480) 575-1000	Mitch Brown Pivotal Sales Group LLC
	31309 N. Scottsdale Rd. Scottsdale, Arizona 85266	(480) 575-1000	Skip Papanikolas Pivotal Sales Group LLC
	4727 East Cactus Road Phoenix, Arizona 85032	(602) 992-2268	Jeff Flannery
	24640 North Lake Pleasant Parkway Peoria, Arizona 85383	(623) 806-8403	Jesse Sadowy
	24640 North Lake Pleasant Parkway Peoria, Arizona 85383	(623) 806-8403	Jennifer Clayton
	7381 West Bell Rd. Peoria, Arizona 85382	(623) 878-6225	Jeff Flannery Flannery Enterprises LLC
	742 E. Glendale Avenue Phoenix, Arizona 85020	(480) 841-5700	Jack Snyder

	21001 North Tatum Blvd. Phoenix, Arizona 85050	(480) 269-0612	Beena Thattil
	20784 E Victoria Lane Queen Creek, Arizona 85142	(602) 281-8844	Jeff Flannery DTRT, LLC
	15233 North 87th Street Scottsdale, Arizona 85266	(480) 991-5100	Mr. Eric Brown
	15233 North 87th Street Scottsdale, Arizona 85266	(480) 991-5100	Mrs. Natalie Brown
	7620 E. Indian School Road Scottsdale, Arizona 85251	(480) 939-5228	Anita Rogers RAR22 Limited LLC
	13794 West Waddell Road Surprise, Arizona 85379	(623) 399-6262	Steve Bhatia Desert Therapeutic Spa
California			
	2661 Blanding Avenue Alameda, California 94501	(510) 523-3500	Jeff Flannery
	2549 Imperial Hwy Brea, California 92821	(714) 786-8434	Mr. Patrick Garrett
	2549 Imperial Hwy Brea, California 92821	(714) 786-8434	Cynthia Floriani
	2549 Imperial Hwy Brea, California 92821	(714) 786-8434	John Garrett
	5561 Lone Tree Way Brentwood, California 94513	(925) 626-7188	Jeff Flannery
	13247 South Street Cerritos, California 90703	(562) 375-6370	Jennifer Fas JRM Wellness, Inc.
	13247 South Street Cerritos, California 90703	(562) 375-6370	Ray Fas JRM Wellness, Inc.

	4200 Chino Hills Parkway Chino Hills, California 91709	(909) 597-9717	Irma Alt Alt H&S Corporation
	840 Herndon Ave. Clovis, California 93612	(559) 475-6680	LeeAnn Prideaux
	840 Herndon Ave. Clovis, California 93612	(559) 475-6680	Robin Prideaux
	1312 E Ontario Ave Ste 103 Corona, California		Jabrey Eljahmi
	223 E. 17th Street Costa Mesa, California 92627	(949) 645-4823	David Beser D Beser Venture Capital
	3815 Overland Avenue Culver City, California 90232	(424) 226-1658	Diane Geissler Juliet Enterprises, Inc.
	11 Railroad Ave. Danville, California 94526	(925) 885-6040	Ariel Ben-Zeev
	11 Railroad Ave. Danville, California 94526	(925) 885-6040	Eliana Ben-Zeev
	5294 Dublin Blvd. Dublin, California 94568	(925) 828-8500	Ahmad Ahmadzia The Dehzia Group LLC
	80 El Camino Fresno, California 93720	(559) 573-8899	LeeAnn Prideaux
	80 El Camino Fresno, California 93720	(559) 573-8899	Robin Prideaux
	19732 Beach Boulevard Huntington Beach, California 92648	(714) 962-2423	David Beser Blue Star Capital, LLC
	30836 South Coast Highway Laguna Beach, California 92651	(949) 715-5567	David Beser
	23708-C El Toro Lake Forest, California	(949) 503-0900	Catrina Tang

	92630		
	23708-C El Toro Lake Forest, California 92630	(949) 503-0900	Shawn Fuller
	6786 Bernal Ave Pleasanton, California 94566	(925) 426-4772	Jeff Flannery
	19300 Rinaldi Street Porter Ranch, California 91326	(818) 366-8866	Henry Mandell Rubicon Wellness, LLC
	19300 Rinaldi Street Porter Ranch, California 91326	(818) 366-8866	Sheryl Mandell Rubicon Wellness, LLC
	8710 19th St Ste 120 Rancho Cucamonga,, California	(909) 941-1144	Anwar Harb
	8710 19th St Ste 120 Rancho Cucamonga,, California	(909) 941-1144	Diana Mohamad
	30652 Rancho Santa Margarita Parkway Rancho Santa Margarita, California 92688	(949) 713-1333	Bernadette Reid IMUA Kakou Inc.
	30652 Rancho Santa Margarita Parkway Rancho Santa Margarita, California 92688	(949) 713-1333	Gus Reid IMUA Kakou Inc.
	6041 Magnolia Ave Riverside, California		Habib Abbas
	10755 SCRIPPS POWAY PKWY STE G SAN DIEGO, California	(858) 689-1700	Lisa Flanders
	310 S TWIN OAKS VALLEY RD STE 104 SAN MARCOS, California	(760) 425-4004	Lisa Flanders

	270 Northgate One San Rafael, California 94903	(415) 499-9600	Jeff Flannery
	40665 Winchester Rd Ste 3 Temecula, California		Jabrey Eljahmi
	2024 Avenida De Los Arboles Thousand Oaks, California 91362	(805) 246-1450	Sheryl Mandell Pura Vida Wellness LLC
	2024 Avenida De Los Arboles Thousand Oaks, California 91362	(805) 246-1450	Henry Mandell Pura Vida Wellness LLC
	2981 El Camino Real Tustin, California 92782	(714) 505-6600	Catrina Tang Tang & Fuller, Inc.
	2981 El Camino Real Tustin, California 92782	(714) 505-6600	Shawn Fuller Tang & Fuller, Inc.
	4229 S. Mooney Blvd. Visalia, California	(559) 578-8849	Rosie Dunkle
	32100 Clinton Keith Rd #D Wildomar, California		Jabrey Eljahmi
Colorado			
	7705 Wadsworth Boulevard Arvada, Colorado 80003	(303) 940-3300	David Ivener
	6554 S. Parker Road Aurora, Colorado 80016	(303) 400-4333	Melissa Ramstetter
	6554 S. Parker Road Aurora, Colorado 80016	(303) 400-4333	Kyle Ramstetter
	24300 E. Smoky Hill Road Aurora, Colorado 80016	(303) 766-2266	John Lloyd
	24300 E. Smoky Hill Road Aurora, Colorado 80016	(303) 766-2266	Brian Bowen

	2525 Arapahoe Avenue Boulder, Colorado 80302	(720) 500-1200	Ellen Ivener
	2525 Arapahoe Avenue Boulder, Colorado 80302	(720) 500-1200	David Ivener
	1345 New Beale Street Castle Rock, Colorado 80108	(720) 642-7000	Mr. Jon Martin
	1345 New Beale Street Castle Rock, Colorado 80108	(720) 642-7000	Chrysse Preonas
	9673 Prominent Point Colorado Springs, Colorado 80924	(719) 358-5140	Anne Porter Two Stones LLC
	9673 Prominent Point Colorado Springs, Colorado 80924	(719) 358-5140	Michael Porter Two Stones LLC
	1670 E Cheyenne Mountain Blvd Colorado Springs, Colorado 80906	(719) 362-1033	Mr. Jay Styles
	1670 E Cheyenne Mountain Blvd Colorado Springs, Colorado 80906	(719) 362-1033	Mrs. Lorine Grosso
	5262 N. Nevada Avenue Colorado Springs, Colorado	(719) 428-0355	Lauren Dyste
	250 Columbine Street Denver, Colorado 80206	(303) 394-4444	Noah Glick Keuka-CC, LLC
	1512 Larimer Street Denver, Colorado 80202	(303) 534-1005	Brian Bowen BLS, LLC
	1512 Larimer Street Denver, Colorado 80202	(303) 534-1005	John Lloyd BLS, LLC
	1512 Larimer Street Denver, Colorado 80202	(303) 534-1005	Martin Steinberg BLS, LLC

	3333 South Tamarac Drive Denver, Colorado 80231	(303) 337-4444	Erik Bostrom High Glen LLC
	8370 Northfield Blvd. Denver, Colorado 80238	(303) 574-0150	Noah Glick Seneca-ST, LLC
	5050 South Federal Blvd. Englewood, Colorado 80110	(720) 500-0502	Chrysse Preonas CPJM Spa Co
	150 East Harmony Road Fort Collins, Colorado 80525	(970) 251-1075	Kyle Ramstetter Serenity Spas Incorporated
	150 East Harmony Road Fort Collins, Colorado 80525	(970) 251-1075	Melissa Ramstetter Serenity Spas Incorporated
	2030A East County Line Road Highlands Ranch, Colorado 80126	(303) 586-5700	Erik Bostrom The Hot Rock, LLC
	7650 W. Virginia Avenue Lakewood, Colorado 80226	(303) 232-8772	Liming Huang Evergreen Wellness, LLC
	14500 W. Colfax Avenue Lakewood, Colorado 80401	(720) 805-0500	Erik Bostrom Lone Ranch, LLC
	8246 W. Bowles Avenue Littleton, Colorado 80123	(303) 933-2006	Erik Bostrom Resting Raven, LLC
	11120 S. Twenty Mile Rd. Parker, Colorado 80134	(303) 805-4200	Melissa Ramstetter
	11120 S. Twenty Mile Rd. Parker, Colorado 80134	(303) 805-4200	Kyle Ramstetter
	5140 W. 120th Avenue Westminster, Colorado 80020	(303) 464-1111	Brian Bulatovic

	5140 W. 120th Avenue Westminster, Colorado 80020	(303) 464-1111	Julie Bulatovic
Connecticut			
	143 Federal Road Brookfield, Connecticut 6804	(203) 775-2244	Robert Durr
	542 Westport Avenue Norwalk, Connecticut	(203) 803-4448	Robert Tobias
	400 Boston Post Road Orange, Connecticut	(203) 678-8088	Robert Tobias
Delaware			
	213 Governors Place Bear, Delaware 19701	(302) 838-1011	Diana Simons Right Touch LLC
	401 South Ridge Avenue Middletown, Delaware 19709	(302) 257-5550	Diana Simons Spa With Us, LLC
	302 Suburban Drive Newark, Delaware 19711	(302) 444-0199	Eric Danver FGG Spa, LLC
	3596 Concord Pike Wilmington, Delaware 19803	(302) 478-1700	Eric Danver FGG Spa, LLC
	4397 Kirkwood Hwy Wilmington, Delaware 19808	(302) 633-1400	Eric Danver FGG Spa, LLC
Florida			
	2108 N. Federal Highway Boca Raton, Florida 33431	(561) 500-7772	Lauren Kulberg Krishna Michigan Massage LLC
	2108 N. Federal Highway Boca Raton, Florida 33431	(561) 500-7772	Michael Kulberg Krishna Michigan Massage LLC
	11009 Causeway Boulevard Brandon, Florida 33511	(813) 409-3848	James Weaver Clarion Spas Inc.

	11009 Causeway Boulevard Brandon, Florida 33511	(813) 409-3848	Rene Tirado Clarion Spas Inc.
	11009 Causeway Boulevard Brandon, Florida 33511	(813) 409-3848	Connie Weaver Clarion Spas Inc.
	13129 North Dale Mabry Highway Tampa, Florida 33618	(813) 957-7131	Katie Danver
	13129 North Dale Mabry Highway Tampa, Florida 33618	(813) 957-7131	Eric Danver
	2675 Gulf To Bay Blvd. Clearwater, Florida 33759	(727) 608-1610	Arlene Walker
	2675 Gulf To Bay Blvd. Clearwater, Florida 33759	(727) 608-1610	Brenda Markland
	9224 Wiles Road Coral Springs, Florida 33067	(954) 388-0779	James Egan J & S Spa Services LLC
	9224 Wiles Road Coral Springs, Florida 33067	(954) 388-0779	Jasjot Paul Singh J & S Spa Services LLC
	9224 Wiles Road Coral Springs, Florida 33067	(954) 388-0779	Sunitee Singh J & S Spa Services LLC
	1333 Posner Boulevard Davenport, Florida 33837	(863) 758-2264	Rob Beers
	1333 Posner Boulevard Davenport, Florida 33837	(863) 758-2264	Alicia Beers
	1829 S. University Drive Davie, Florida 33324	(954) 472-2288	James Egan J & J Spa Services, LLC
	1293 Cornerstone Blvd. Daytona Beach, Florida 32114	(386) 310-0919	David Norman IFGO Partners, LLC

	1293 Cornerstone Blvd. Daytona Beach, Florida 32114	(386) 310-0919	Wendy Norman IFGO Partners, LLC
	2441 S. Woodland Blvd. DeLand, Florida 32720	(386) 219-1970	Amy Bradley AVBB, Inc.
	2441 S. Woodland Blvd. DeLand, Florida 32720	(386) 219-1970	Brad Bradley AVBB, Inc.
	900 Linton Boulevard Delray Beach, Florida 33444	(561) 443-5520	Kelli Marazzi and William Marazzi Krishna Michigan Massage LLC
	900 Linton Boulevard Delray Beach, Florida 33444	(561) 443-5520	William Marazzi and Kelli Marazzi Krishna Michigan Massage LLC
	34940 Emerald Coast Parkway Destin, Florida 32541	(850) 389-0015	Maria Williams Branwen LLC
	34940 Emerald Coast Parkway Destin, Florida 32541	(850) 389-0015	Jeff Sweeney Branwen LLC
	34940 Emerald Coast Parkway Destin, Florida 32541	(850) 389-0015	Don Williams Branwen LLC
	8450 NW 53rd Street Doral, Florida 33166	(305) 726-0221	Bijal Patel Sap Spa, LLC
	8450 NW 53rd Street Doral, Florida 33166	(305) 726-0221	Himanshu Patel Sap Spa, LLC
	21301 South Tamiami Trail Estero, Florida 33928	(239) 992-0434	Tara McLain
	5000 US Hwy. 17 Fleming Island, Florida 32003	(904) 215-7727	Tara McLain JTLM Enterprises
	2384 North Federal Highway Ft. Lauderdale, Florida 33305	(954) 870-7445	James Egan HS Fort Lauderdale, LLC
	6891 Daniels Parkway Fort Myers, Florida	(239) 747-6750	James Egan JC Gulfcoast LLC

	33966		
	4122 NW 16th Boulevard Gainesville, Florida 32605	(352) 877-4510	Tara McLain
	3307 Sheridan Street Hollywood, Florida 33021	(954) 324-4575	Jasjot Paul Singh
	3307 Sheridan Street Hollywood, Florida 33021	(954) 324-4575	Sunitee Singh
	9965 SAN JOSE BLVD #4 JACKSONVILLE, Florida	(904) 880-0050	Lishell Toney
	1858 3rd Street South Jacksonville Beach, Florida 32250	(904) 512-7588	Shailesh Patel Infinite Wellness Spas, LLC
	8310 Mills Drive Miami (Kendall), Florida 33183	(305) 595-5262	Eric Danver
	2645 W Osceola Parkway Kissimmee, Florida 34741	(407) 343-0035	Rob Beers Pentagon Group of Florida
	2645 W Osceola Parkway Kissimmee, Florida 34741	(407) 343-0035	Alicia Beers Pentagon Group of Florida
	4750 South Florida Ave Lakeland, Florida 33813	(863) 940-4789	James Weaver Clarion Spas Inc.
	4750 South Florida Ave Lakeland, Florida 33813	(863) 940-4789	Rene Tirado Clarion Spas Inc.
	4750 South Florida Ave Lakeland, Florida 33813	(863) 940-4789	Connie Weaver Clarion Spas Inc.
	6375 North Wickham Road Melbourne, Florida 32940	(321) 319-3550	Elizabeth Whitby Whitsend Spa Company, LLC

	7423 Miami Lakes Drive Miami Lakes, Florida 33014	(305) 846-9424	Rebecca Sanchez Julor Investments V, LLC
	7423 Miami Lakes Drive Miami Lakes, Florida 33014	(305) 846-9424	Jennifer Sanchez Julor Investments V, LLC
	7423 Miami Lakes Drive Miami Lakes, Florida 33014	(305) 846-9424	Juliana Rojas Julor Investments V, LLC
	7423 Miami Lakes Drive Miami Lakes, Florida 33014	(305) 846-9424	Omar Javier Sanchez Julor Investments V, LLC
	2609 SW 147th Avenue Miami, Florida 33185	(786) 605-5010	Bijal Patel
	2609 SW 147th Avenue Miami, Florida 33185	(786) 605-5010	Himanshu Patel
	17315 US-441 Mount Dora, Florida 32757	(352) 325-5390	Amy Bradley AVBB, LLC
	17315 US-441 Mount Dora, Florida 32757	(352) 325-5390	Brad Bradley AVBB, LLC
	8850 Founders Square Drive Naples, Florida 34120	(239) 306-8815	Michael Hendershott
	8850 Founders Square Drive Naples, Florida 34120	(239) 306-8815	Kathy Hendershott
	9128 Strada Place Naples, Florida 34108	(239) 254-0454	Tara McLain
	1602 NE Miami Gardens Drive North Miami Beach, Florida 33179	(786) 332-5995	Rebecca Sanchez Julor Investments IV, LLC
	1602 NE Miami Gardens Drive North Miami Beach, Florida 33179	(786) 332-5995	Jennifer Sanchez Julor Investments IV, LLC

	1602 NE Miami Gardens Drive North Miami Beach, Florida 33179	(786) 332-5995	Julia Sanchez Julor Investments IV, LLC
	1602 NE Miami Gardens Drive North Miami Beach, Florida 33179	(786) 332-5995	Omar Sanchez Julor Investments IV, LLC
	3980 SW 26th Court Ocala, Florida 34471	(352) 342-9538	Ronald Urton
	3980 SW 26th Court Ocala, Florida 34471	(352) 342-9538	Stephanie Urton
	2823 South Orange Avenue Orlando, Florida 32806	(407) 203-8926	Derek Sunderland Vondek Enterprises Inc.
	2823 South Orange Avenue Orlando, Florida 32806	(407) 203-8926	Yvonne Sunderland Vondek Enterprises Inc.
	7600 Dr. Phillips Blvd. Orlando, Florida 32819	(407) 321-2121	Andrew Mellen
	7600 Dr. Phillips Blvd. Orlando, Florida 32819	(407) 321-2121	Kirk Sorenson
	12278 Narcoossee Road Orlando, Florida 32827	(407) 240-2772	Robert Dugan
	12278 Narcoossee Road Orlando, Florida 32827	(407) 240-2772	Connie Dugan
	2710 SW Martin Downs Blvd. Palm City, Florida 34990	(772) 222-6915	Elizabeth Whitby
	5200 FL-100 Palm Coast, Florida 32164	(386) 270-1200	Pamela O'Neill Pamper You, LLC
	306 East Lake Rd. S. Palm Harbor, Florida 34685	(727) 565-0605	James Weaver Clarion Spas Inc.
	306 East Lake Rd. S. Palm Harbor, Florida 34685	(727) 565-0605	Rene Tirado Clarion Spas Inc.

	14983 S. Dixie Hwy Palmetto Bay, Florida 33176	(786) 772-0102	Eric Danver
	15600 Panama City Beach Parkway Panama City Beach, Florida 32413	(850) 391-0764	Jeff Sweeney Branwen LLC
	15600 Panama City Beach Parkway Panama City Beach, Florida 32413	(850) 391-0764	Maria Williams Branwen LLC
	15600 Panama City Beach Parkway Panama City Beach, Florida 32413	(850) 391-0764	Don Williams Branwen LLC
	11910 Pines Blvd. Pembroke Pines, Florida 33026	(954) 210-9717	James Egan
	1781 Dunlawton Avenue Port Orange, Florida 32127	(386) 261-1285	Arlene Walker Relax & Refresh, LLC
	10532 SW Village Parkway Port St. Lucie, Florida 34987	(772) 303-1030	Kelli Marazzi and William Marazzi Manta Ray Tradition LLC
	10532 SW Village Parkway Port St. Lucie, Florida 34987	(772) 303-1030	William Marazzi and Kelli Marazzi Manta Ray Tradition LLC
	9144 S Federal Highway Port St. Lucie, Florida 34952	(772) 251-1205	Elizabeth Whitby
	70 Durbin Pavilion Drive Saint Johns, FL, Florida 32259	(904) 667-4120	Jeff Bates JJHA Assets, LLC
	70 Durbin Pavilion Drive Saint Johns, FL, Florida 32259	(904) 667-4120	Jody Plouffe JJHA Assets, LLC
	3800 S. Tamiami Trail Sarasota, Florida 34239	(941) 702-5224	Katie Danver

	3800 S. Tamiami Trail Sarasota, Florida 34239	(941) 702-5224	Eric Danver
	7855 113th Street North, Suite B Seminole, Florida 33772	(727) 202-9227	Doug Moore Wellness Partners I LLC
	7855 113th Street North, Suite B Seminole, Florida 33772	(727) 202-9227	Mark King Wellness Partners I LLC
	7301 SW 57 Court Miami, FL-South, Florida 33143	(305) 662-2222	Eric Danver
	4868 Davis Blvd. Naples, Florida 34112	(239) 734-5587	Kathy Hendershott JRC Holdings, LLC
	4868 Davis Blvd. Naples, Florida 34112	(239) 734-5587	Michael Hendershott JRC Holdings, LLC
	12372 Cortez Boulevard Spring Hill, Florida 34608	(352) 592-6212	Valerie Gallarelli
	12372 Cortez Boulevard Spring Hill, Florida 34608	(352) 592-6212	Mark Gallarelli
	5234 4th Street N. St. Petersburg, Florida 33703	(727) 522-5500	Mark King
	1092 S. Ponce De Leon Blvd. St. Augustine, Florida 32084	(904) 506-5571	Jody Plouffe
	1092 S. Ponce De Leon Blvd. St. Augustine, Florida 32084	(904) 506-5571	Jeff Bates
	3425 Thomasville Road Tallahassee, Florida 32309	(850) 534-4261	Tara McLain
	124 Westshore Boulevard Tampa, Florida 33609	(813) 287-5000	James Weaver Clarion Spas Inc.

	124 Westshore Boulevard Tampa, Florida 33609	(813) 287-5000	Rene Tirado Clarion Spas Inc.
	124 Westshore Boulevard Tampa, Florida 33609	(813) 287-5000	Connie Weaver Clarion Spas Inc.
	8932 Bertha Palmer Blvd. Temple Terrace, Florida 33617	(813) 851-0882	Eric Danver
	8932 Bertha Palmer Blvd. Temple Terrace, Florida 33617	(813) 851-0882	Katie Danver
	3433 Wedgewood Lane The Villages, Florida 32162	(352) 775-1772	Ronald Urton
	3433 Wedgewood Lane The Villages, Florida 32162	(352) 775-1772	Stephanie Urton
	312 Heald Way The Villages, Florida 32163	(352) 775-1772	Stephanie Urton Urton Enterprises, LLC
	312 Heald Way The Villages, Florida 32163	(352) 775-1772	Ronald Urton Urton Enterprises, LLC
	8936 Strength Avenue Trinity, Florida 34655	(727) 202-1233	Mark Gallarelli Gallarelli Holdings, LLC
	8936 Strength Avenue Trinity, Florida 34655	(727) 202-1233	Valerie Gallarelli Gallarelli Holdings, LLC
	5405 University Parkway University Park, Florida 34201	(941) 462-4772	Melissa Reisch RMXJ, Inc.
	5405 University Parkway University Park, Florida 34201	(941) 462-4772	Russell Reisch RMXJ, Inc.

	465 21st Street Vero Beach, Florida 32960	(772) 494-2028	Elizabeth Whitby Premier Spas, Inc.
	10130 Northlake Blvd. West Palm Beach, Florida 33412	(561) 444-0682	William Marazzi and Kelli Marazzi Manta Ray West LLC
	10130 Northlake Blvd. West Palm Beach, Florida 33412	(561) 444-0682	Kelli Marazzi and William Marazzi Manta Ray West LLC
	1664 Bruce B. Downs Blvd. Wesley Chapel, Florida 33543	(813) 229-8700	Eric Danver Mad Spa Management, Inc.
	1664 Bruce B. Downs Blvd. Wesley Chapel, Florida 33543	(813) 229-8700	Katie Danver Mad Spa Management, Inc.
	715 Palm Bay Road West Melbourne, Florida 32905	(321) 345-5664	Elizabeth Whitby Whitsend Spa Company, LLC
	4454 Weston Road Weston, Florida 33331	(954) 278-8709	Jasjot Paul Singh Sabeena Spa Services LLC
	4454 Weston Road Weston, Florida 33331	(954) 278-8709	Sunitee Singh Sabeena Spa Services LLC
	6516 Old Brick Road Windermere, Florida 34786	(407) 217-1200	Andrew Mellen
	6516 Old Brick Road Windermere, Florida 34786	(407) 217-1200	Kirk Sorenson
	9240 Miley Drive Winter Garden, Florida 34787	(407) 956-2199	Kirk Sorenson
	9240 Miley Drive Winter Garden, Florida 34787	(407) 956-2199	Andrew Mellen
	585 Cypress Gardens Blvd. Winter Haven, Florida	(863) 356-3500	Steven Harrison

	33880		
	585 Cypress Gardens Blvd. Winter Haven, Florida 33880	(863) 356-3500	Teri Harrison
	520 N. Orlando Avenue Winter Park, Florida 32789	(407) 622-0227	Elizabeth Whitby The Spa Divas, Inc.
	520 N. Orlando Avenue Winter Park, Florida 32789	(407) 622-0227	Tania Marler The Spa Divas, Inc.
Georgia			
	12850 Alpharetta Hwy 9 N Alpharetta, Georgia 30004	(678) 940-4991	Mr. Suresh Vanukuru SpaDos, LLC
	12850 Alpharetta Hwy 9 N Alpharetta, Georgia 30004	(678) 940-4991	Sharmila Vanukuru SpaDos, LLC
	5600 Roswell Rd Sandy Springs, Georgia 30342	(404) 523-7800	Sharmila Vanukuru Tequesta Therapeutics, LLC
	5600 Roswell Rd Sandy Springs, Georgia 30342	(404) 523-7800	Mrs. Sharmila Vanukuru Tequesta Therapeutics, LLC
	5001 Peachtree Boulevard Chamblee, Georgia 30341	(470) 377-5783	Sharmila Vanukuru SpaUno, LLC
	5001 Peachtree Boulevard Chamblee, Georgia 30341	(470) 377-5783	Mrs. Sharmila Vanukuru SpaUno, LLC
	1545 Church Street Decatur, Georgia 30033	(404) 609-0061	CeWyon Chandler Ward Futureforward Enterprises, LLC
	1545 Church Street Decatur, Georgia 30033	(404) 609-0061	Reginald Ward Futureforward Enterprises, LLC

	4475 Roswell Road Marietta, Georgia 30062	(770) 565-0808	Mrs. Sharmila Vanukuru
	4475 Roswell Road Marietta, Georgia 30062	(770) 565-0808	Mr. Suresh Vanukuru
	4475 Roswell Road Marietta, Georgia 30062	(770) 565-0808	Suresh Vanukuru
	4475 Roswell Road Marietta, Georgia 30062	(770) 565-0808	Sharmila Vanukuru
	124 South Point Blvd. McDonough, Georgia 30253	(478) 412-4700	Sharmila Vanukuru Livingstone McDonough, LLC
	124 South Point Blvd. McDonough, Georgia 30253	(478) 412-4700	Suresh Vanukuru Livingstone McDonough, LLC
	2015 West Highway 54 Peachtree City, Georgia 30269	(770) 336-6613	Sharmila Vanukuru Livingstone Peachtree City, LLC
	2015 West Highway 54 Peachtree City, Georgia 30269	(770) 336-6613	Suresh Vanukuru Livingstone Peachtree City, LLC
	8020 Mall Parkway Stonecrest, Georgia 30038	(678) 884-8092	Vaughn Irons and Cassandra Irons
	8020 Mall Parkway Stonecrest, Georgia 30038	(678) 884-8092	Cassandra Irons and Vayghn Irons
Idaho			
	6097 N. Ten Mile Road Meridian, Idaho 83646	(208) 314-4849	Kristen Kenyon
	6097 N. Ten Mile Road Meridian, Idaho 83646	(208) 314-4849	Kurt Kenyon
Illinois			
	710 S. Randall Rd Algonquin, Illinois 60102	(847) 458-1817	Paulina Laskosky 2Pmk Corp
	792 W. Army Trail Road Carol Stream, Illinois	(630) 289-0200	William Christy Affluent Image LLC

	60188		
	3210 N. Lincoln Avenue Chicago, Illinois 60657	(773) 945-0800	Jeff Flannery Ten By Ten Lakeview LLC
	1130 South Michigan Ave. Chicago, Illinois 60605	(312) 753-3312	Jeff Flannery Ten by Ten Wellness, LLC
	624 N. York Street Elmhurst, Illinois 60126	(630) 496-8181	Jeff Flannery Jensen Family Enterprises, Inc.
	1416 S. Randall Road Geneva, Illinois 60134	(630) 262-1900	Michael Hendershott
	1416 S. Randall Road Geneva, Illinois 60134	(630) 262-1900	Kathy Hendershott
	2510 Sutton Road Hoffman Estates, Illinois 60192	(224) 228-3332	William Christy
	20771 North Rand Road Kildeer, Illinois 60047	(847) 550-1870	Michael Laskosky
	20771 North Rand Road Kildeer, Illinois 60047	(847) 550-1870	Paulina Laskosky
	2531 75th Street Naperville, Illinois 60540	(630) 355-1252	Kathy Hendershott
	2531 75th Street Naperville, Illinois 60540	(630) 355-1252	Michael Hendershott
	2911 95th Street Naperville, Illinois 60564	(630) 869-0450	Kathy Hendershott KAAM Spa #5, LLC
	2911 95th Street Naperville, Illinois 60564	(630) 869-0450	Michael Hendershott KAAM Spa #5, LLC
	3750 Willow Road Northbrook, Illinois 60062	(847) 534-8201	Monica Bansal Three Lees, Inc.

	3750 Willow Road Northbrook, Illinois 60062	(847) 534-8201	Sumit Bansal Three Lees, Inc.
	14225 95th Avenue Orland Park, Illinois 60462	(708) 745-3545	Kathy Hendershott KAAM Spa #4, LTD
	14225 95th Avenue Orland Park, Illinois 60462	(708) 745-3545	Michael Hendershott KAAM Spa #4, LTD
	3050 US Route 34 Oswego, Illinois 60543	(630) 282-7840	David Dunbar Wellness For All, LLC
	3050 US Route 34 Oswego, Illinois 60543	(630) 282-7840	George Dunbar Wellness For All, LLC
	1215 Golf Road Rolling Meadows, Illinois 60008	(847) 718-1215	William Christy AMC II Investments - RM, LLC
	978 Brook Forest Ave Shorewood, Illinois 60404	(815) 556-1525	George Dunbar Wellness for All 2 LLC
	978 Brook Forest Ave Shorewood, Illinois 60404	(815) 556-1525	David Dunbar Wellness for All 2 LLC
	398 Randall Road South Elgin, Illinois 60177	(630) 580-1224	William Christy
	82 Danada Square West Wheaton, Illinois 60189	(630) 221-8700	Kathy Hendershott KAAM Spa #1, LLC
	82 Danada Square West Wheaton, Illinois 60189	(630) 221-8700	Michael Hendershott KAAM Spa #1, LLC
Indiana			
	10409 US Route 36 Avon, Indiana 46123	(317) 559-3240	Kathryn Haston Brigid LLC
	10409 US Route 36 Avon, Indiana 46123	(317) 559-3240	Tyler Haston Brigid LLC
	14405 Clay Terrace Blvd Carmel, Indiana 46032	(317) 559-0915	Heather Sanchez Bently Ventures, LLC

	14405 Clay Terrace Blvd Carmel, Indiana 46032	(317) 559-0915	Richard Sanchez Bently Ventures, LLC
	8505 Keystone Crossing Indianapolis, Indiana 46240	(317) 559-3388	Mr. Richard Bunchalk
	8505 Keystone Crossing Indianapolis, Indiana 46240	(317) 559-3388	John Beggs
	14165 Cabela Parkway Noblesville, Indiana 46060	(317) 660-2206	Richard Sanchez
	14165 Cabela Parkway Noblesville, Indiana 46060	(317) 660-2206	Heather Sanchez
	11100 N. Michigan Road Zionsville, Indiana 46077	(463) 252-2624	Jennifer Clayton
	11100 N. Michigan Road Zionsville, Indiana 46077	(463) 252-2624	Jesse Sadowy
Kansas			
	11725 Roe Ave. Leawood, Kansas 66211	(913) 225-9341 Email :troylovins@att.net	Sara Lovins
	11725 Roe Ave. Leawood, Kansas 66211	(913) 225-9341 Email :troylovins@att.net	Troy Lovins
	2835 N. Maize Road Wichita, Kansas 67205	(316) 776-4099	David Geist
	2835 N. Maize Road Wichita, Kansas 67205	(316) 776-4099	Teresa Geist
Kentucky			
	2426 Baxter Avenue Crescent Springs, Kentucky 41017	(859) 446-7532	Austin Grove Rejuvenation Spa Services LLC
	4040 Finn Way Lexington, Kentucky 40517	(859) 800-8185	James C. Baughman, Jr. H&S 1 KY Lexington, LLC
Maryland			

	2480 Solomon's Island Rd. Annapolis, Maryland 21401	(410) 224-4402	Eric Danver FGG Spa, LLC
	15904 Crain Highway Brandywine, Maryland 20613	(240) 348-2260	Chanel Grant
	15904 Crain Highway Brandywine, Maryland 20613	(240) 348-2260	Lauren Williamson
	15904 Crain Highway Brandywine, Maryland 20613	(240) 348-2260	Toya Evans
	45000 St. Andrews Church Rd California, Maryland 20619	(240) 696-7190	Sharmila Vanukuru Tejvi Wellness Center LLC
	45000 St. Andrews Church Rd California, Maryland 20619	(240) 696-7190	Suresh Vanukuru Tejvi Wellness Center LLC
	6030 Daybreak Circle Clarksville, Maryland 21029	(240) 667-7375	Minal Patel
	6030 Daybreak Circle Clarksville, Maryland 21029	(240) 667-7375	Bijal Patel and Minal Patel
	6455 Dobbin Rd Columbia, Maryland 21045	(410) 740-0977	Eric Danver FGG Columbia, LLC
	5100 Buckeystown Pike Frederick, Maryland 21704	(240) 656-2247	Eric Danver
	217 Kentlands Blvd Gaithersburg, Maryland 20878	(301) 527-8663	Eric Danver FGG Spa, LLC
	18133 Town Center Drive Olney, Maryland 20832	(301) 774-2256	Andrew Elsbury 42 Wellness LLC

	9934 Reisterstown Road Owings Mills, Maryland 21117	(443) 410-4521	Dr Kim Birchen
	829 Solomons Island Road N. Prince Frederick, Maryland 20678	(667) 321-3001	Sharmila Vanukuru
	829 Solomons Island Road N. Prince Frederick, Maryland 20678	(667) 321-3001	Suresh Vanukuru
	550 I Governor Ritchie Hwy Severna Park, Maryland 21146	(410) 544-7999	Eric Danver FGG Spa, LLC
	2157 York Road Timonium, Maryland 21093	(443) 884-9380	Eric Danver
Massachusetts			
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Archana Puli and Manoj Kamavarapu Cloud Castle LLC
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Manoj Kamavarapu and Archana Puli Cloud Castle LLC
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Vidyasagar Cheekati and Vijaya Kasireddy Cloud Castle LLC
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Sri Busi and Thanooj Kamavarapu Cloud Castle LLC
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Vijaya Kasireddy and Vidyasagar Cheekati Cloud Castle LLC
	168 Great Road Bedford, Massachusetts 01730	(781) 347-2229	Thanooj Kamavarapu and Sri Busi Cloud Castle LLC
	5 Highland Common E Hudson, Massachusetts 07149	(978) 763-1233	Barry Goldman Arno Wellness of Hudson, LLC

	5 Highland Common E Hudson, Massachusetts 07149	(978) 763-1233	David Goldman Arno Wellness of Hudson, LLC
	109 Main Street Stoneham, Massachusetts 02180	(781) 984-0525	Gus Barillas
	49 Pleasant Street Weymouth, Massachusetts 02190	(781) 331-7721	Franca Curran Premiere Spa Management, Inc.
	49 Pleasant Street Weymouth, Massachusetts 02190	(781) 331-7721	Joe Curran Premiere Spa Management, Inc.
Michigan			
	223 N. Maple Road Ann Arbor, Michigan 48103	(734) 662-2000	Clif Flowers Viola Therapies, LLC
	223 N. Maple Road Ann Arbor, Michigan 48103	(734) 662-2000	Traci Flowers Viola Therapies, LLC
	5568 Beckley Road Suite A Battle Creek, Michigan	(269) 719-8480	Margaret Kirk
	8377 W. Grand River Avenue Brighton, Michigan	(810) 229-9095	Sumit Bansal
	8377 W. Grand River Avenue Brighton, Michigan	(810) 229-9095	Monica Bansal
	50932 Gratiot Road Chesterfield Township, Michigan 48051	(586) 250-4560	John Van Osdol Relaxable, LLC
	36740 Garfield Road Clinton Township, Michigan		Sumit Bansal
	36740 Garfield Road Clinton Township, Michigan		Monica Bansal
	23624 Michigan Avenue Dearborn, Michigan 48124	(313) 278-2200	Amrieh Eljahmi

	31215 West Fourteen Mile Road Farmington Hills, Michigan 48334	(248) 907-1130	Sumit Bansal Relax In Style No 2 LLC
	23153 Woodward Avenue Ferndale, Michigan 48220	(248) 949-1910	Preston Flowers
	23153 Woodward Avenue Ferndale, Michigan 48220	(248) 949-1910	Tracy Flowers
	23153 Woodward Avenue Ferndale, Michigan 48220	(248) 949-1910	Clif Flowers
	23153 Woodward Avenue Ferndale, Michigan 48220	(248) 949-1910	Traci Flowers
	5557 28th Street SE Grand Rapids, Michigan 49512	(616) 208-9880	James Cook and Lynelle Cook Team Cook Inc.
	5557 28th Street SE Grand Rapids, Michigan 49512	(616) 208-9880	Lynelle Cook and James Cook Team Cook Inc.
	29466 West Seven Mile Road Livonia, Michigan	(248) 987-7334	Sumit Bansal
	29466 West Seven Mile Road Livonia, Michigan	(248) 987-7334	Monica Bansal
	39713 Traditions Drive Northville, Michigan 48167	(248) 550-0004	Monica Bansal
	39713 Traditions Drive Northville, Michigan 48167	(248) 550-0004	Sumit Bansal
	47460 Grand River Avenue Novi, Michigan	(248) 305-9295	Norma Abbas Fawaz

	47460 Grand River Avenue Novi, Michigan	(248) 305-9295	Ali Abbas
	2747 S Rochester Road Rochester Hills, Michigan 48307	(248) 710-0120	Monica Bansal
	2747 S Rochester Road Rochester Hills, Michigan 48307	(248) 710-0120	Sumit Bansal
	21920 Greater Mac Avenue St. Clair Shores, Michigan 48080		Mr. Charles Thomas Jr
	21920 Greater Mac Avenue St. Clair Shores, Michigan 48080		January Thomas
	21920 Greater Mac Avenue St. Clair Shores, Michigan 48080		Charles Thomas III
	35728 Van Dyke Road Sterling Heights, Michigan	(586) 883-6483	Benjamin Odren
	35728 Van Dyke Road Sterling Heights, Michigan	(586) 883-6483	Kylie Odren and Ben
	1365 N. Coolidge Hwy. Troy, Michigan 48084	(248) 609-9772	Monica Bansal Relax In Style LLC
	1365 N. Coolidge Hwy. Troy, Michigan 48084	(248) 609-9772	Sumit Bansal Relax In Style LLC
	8655 26 Mile Road Washington Township, Michigan 48094	(586) 992-1222	Roopen Patel Krishna Michigan Massage LLC
	5134 Highland Road Waterford, Michigan	(248) 724-2670	Sumit Bansal
	5134 Highland Road Waterford, Michigan	(248) 724-2670	Monica Bansal

	19420 West Road Woodhaven Woodhaven, Michigan 48183	(734) 203-7000	Ali Abbas
	19420 West Road Woodhaven Woodhaven, Michigan 48183	(734) 203-7000	Norma Abbas Fawaz
Minnesota			
	858 West 78th Street Chanhassen, Minnesota 55317	(952) 395-3625	Shannon Schoettler Joy In Living Life LLC
	858 West 78th Street Chanhassen, Minnesota 55317	(952) 395-3625	Jeff Widness Joy In Living Life LLC
	858 West 78th Street Chanhassen, Minnesota 55317	(952) 395-3625	Jill Widness Joy In Living Life LLC
	11647 Fountains Drive Maple Grove, Minnesota 55369	(763) 416-7077	Erik Bostrom
	11647 Fountains Drive Maple Grove, Minnesota 55369	(763) 416-7077	Ed Oursler
	3525 Vicksburg Lane N Plymouth, Minnesota 55447	(763) 551-1111	Ed Oursler Three Aims, LLC
	3525 Vicksburg Lane N Plymouth, Minnesota 55447	(763) 551-1111	Erik Bostrom Three Aims, LLC
	1671 West End Boulevard ST. Louis Park, Minnesota 55416	(763) 591-1111	Cathy Meyers
Missouri			
	215 S. Stewart Road Liberty, Missouri 64068	(816) 293-9660	Sara Lovins
	215 S. Stewart Road Liberty, Missouri 64068	(816) 293-9660	Troy Lovins
Nebraska			

	14505 W. Maple Road Omaha, Nebraska 68116	(402) 982-4440	Curtis Anthony
	14505 W. Maple Road Omaha, Nebraska 68116	(402) 982-4440	Mrs. Kate Anthony
	10341 Pacific Street Omaha, Nebraska 68114	(402) 951-9335	Curtis Anthony CK Ventures, Inc.
Nevada			
	530 Marks St. Henderson, Nevada 89014	(725) 257-8011	Lisa Mascari
	530 Marks St. Henderson, Nevada 89014	(725) 257-8011	Wayne Crowther
	1875 Festival Plaza Drive Las Vegas, Nevada 89135	(702) 852-2550	Benedict DeGuzman Ember Spa Works LLC
	1150 E Silverado Ranch Blvd. Las Vegas, Nevada 89183	(702) 941-7833	Lisa Mascari H&S Anthem, LLC
	1150 E Silverado Ranch Blvd. Las Vegas, Nevada 89183	(702) 941-7833	Wayne Crowther H&S Anthem, LLC
New Hampshire			
	79 S. River Road Bedford, New Hampshire 03110	(603) 668-3333	Gus Barillas
	79 S. River Road Bedford, New Hampshire 03110	(603) 668-3333	Ricardo Barillas
	2454 Lafayette Road Portsmouth, New Hampshire 3801	(603) 677-1406	Gus Barillas Mountain View Spas, LLC
New Jersey			

	1121 State Route 34 Aberdeen, New Jersey 7747	(732) 970-7740	Jeff Silbert HS-Aberdeen, LLC
	1121 State Route 34 Aberdeen, New Jersey 7747	(732) 970-7740	Ken Silbert HS-Aberdeen, LLC
	39 West Allendale Ave. Allendale, New Jersey 7401	(201) 760-0600	Jeff Silbert HS - Allendale LLC
	39 West Allendale Ave. Allendale, New Jersey 7401	(201) 760-0600	Ken Silbert HS - Allendale LLC
	193 East 22nd Street Bayonne, New Jersey 07002	(201) 243-7810	Tara Bogota H&S Bayonne LLC
	193 East 22nd Street Bayonne, New Jersey 07002	(201) 243-7810	Nick Marco H&S Bayonne LLC
	416 State Highway 202/206 Bedminster, New Jersey 7921	(908) 781-9900	Jesse Hinman
	416 State Highway 202/206 Bedminster, New Jersey 7921	(908) 781-9900	Ishani Sarkar
	416 State Highway 202/206 Bedminster, New Jersey 7921	(908) 781-9900	Rajib Sarkar
	274 Dunns Mill Road Bordentown, New Jersey 08505	(609) 496-5533	Irian Ruiz SRMI Spa, LLC
	56 Chambers Bridge Road 30 Brick Plaza Brick Township, New Jersey 08723	(732) 714-6625	Nick Marco H&S Brick LLC
	363 US 202/206 Bridgewater, New Jersey 8807	(908) 382-3800	Jesse Hinman

	363 US 202/206 Bridgewater, New Jersey 8807	(908) 382-3800	Rajib Sarkar
	363 US 202/206 Bridgewater, New Jersey 8807	(908) 382-3800	Ishani Sarkar
	640 Shunpike Road Chatham, New Jersey 7928	(973) 236-1200	Jeff Silbert HS - Chatham LLC
	640 Shunpike Road Chatham, New Jersey 7928	(973) 236-1200	Ken Silbert HS - Chatham LLC
	2050 Marlton Pike West Cherry Hill, New Jersey 8002	(856) 330-4170	Bryn Erace H&S Cherry Hill, LLC
	2050 Marlton Pike West Cherry Hill, New Jersey 8002	(856) 330-4170	Joseph Erace H&S Cherry Hill, LLC
	606 Haddonfield Road Cherry Hill, New Jersey 8003	(856) 966-5500	Bryn Erace H&S Haddonfield Rd, LLC
	606 Haddonfield Road Cherry Hill, New Jersey 8003	(856) 966-5500	Joseph Erace H&S Haddonfield Rd, LLC
	77 Central Avenue Clark, New Jersey 7066	(732) 540-8047	Eric Danver FGG Spa, LLC
	77 Central Avenue Clark, New Jersey 7066	(732) 540-8047	Katie Danver FGG Spa, LLC
	700 Route 3 Clifton, New Jersey 7012	(973) 472-2500	Jeff Silbert HS - Clifton LLC
	700 Route 3 Clifton, New Jersey 7012	(973) 472-2500	Ken Silbert HS - Clifton LLC
	1361A Fairview Blvd. Delran, New Jersey 8075	(856) 764-7700	Eric Danver

	3130 Route 10 West Denville, New Jersey 7834	(973) 547-3600	Jeff Silbert HS - Denville LLC
	3130 Route 10 West Denville, New Jersey 7834	(973) 547-3600	Ken Silbert HS - Denville LLC
	2000 Clements Bridge Rd. Deptford, New Jersey 8096	(856) 845-8888	Cate Ruffenach
	589 Route 18 South East Brunswick, New Jersey 8816	(908) 344-5455	Eric Danver
	72 Princeton Hightstown Rd. East Windsor, New Jersey 08520	(609) 448-3840	Eric Danver FGG Spa, LLC
	46 The Promenade Edgewater, New Jersey 7020	(201) 496-5000	Jeff Silbert HS- Edgewater
	46 The Promenade Edgewater, New Jersey 7020	(201) 496-5000	Ken Silbert HS- Edgewater
	6801 Blackhorse Pike Egg Harbor Township, New Jersey 08234	(609) 804-7727	Helen McMenamin
	6801 Blackhorse Pike Egg Harbor Township, New Jersey 08234	(609) 804-7727	Thomas McMenamin
	494 Kinderkamack Road Emerson, New Jersey 7630	(201) 483-9530	Jeff Silbert HS - Emerson LLC
	494 Kinderkamack Road Emerson, New Jersey 7630	(201) 483-9530	Ken Silbert HS - Emerson LLC
	30 International Drive South Flanders, New Jersey 07836	(973) 695-0888	Ayanna Santos Tranquility One, LLC

	30 International Drive South Flanders, New Jersey 07836	(973) 695-0888	Raymond Santos Tranquility One, LLC
	75 Reaville Avenue Flemington, New Jersey 8822	(908) 782-8088	Sriharsha Meda Pranithi Wellness LLC
	75 Reaville Avenue Flemington, New Jersey 8822	(908) 782-8088	Vasanthi Ailuri Pranithi Wellness LLC
	828 Franklin Avenue Franklin Lakes, New Jersey 7417	(201) 848-8300	Jeff Silbert HS - Franklin Lakes LLC
	828 Franklin Avenue Franklin Lakes, New Jersey 7417	(201) 848-8300	Ken Silbert HS - Franklin Lakes LLC
	441 Elizabeth Avenue Franklin Township, New Jersey 8873	(732) 356-9772	Ashish Chokshi AUM Spas Inc
	441 Elizabeth Avenue Franklin Township, New Jersey 8873	(732) 356-9772	Vinender Sodagum AUM Spas Inc
	694 Delsea Drive North Glassboro, New Jersey 8028	(856) 269-4579	Katie Danver
	694 Delsea Drive North Glassboro, New Jersey 8028	(856) 269-4579	Eric Danver
	500 South River Street Hackensack, New Jersey 7601	(201) 561-0407	Tina Sisco K&S Therapeutics, LLC
	500 South River Street Hackensack, New Jersey 7601	(201) 561-0407	Tina Sisco K&S Therapeutics, LLC
	1520 SR 38 Hainesport, New Jersey 8036	(609) 261-5555	Debra Schrenk LRS Spa
	1520 SR 38 Hainesport, New Jersey 8036	(609) 261-5555	Michael Schrenk LRS Spa

	649 State Highway 206 Hillsborough, New Jersey 8844	(908) 281-0001	Jesse Hinman
	649 State Highway 206 Hillsborough, New Jersey 8844	(908) 281-0001	Rajib Sarkar
	649 State Highway 206 Hillsborough, New Jersey 8844	(908) 281-0001	Ishani Sarkar
	1400 Hudson Street Hoboken, New Jersey 7030	(201) 243-7771	Komal Desai Aurora Wellness Hoboken, LLC
	2145 RT-35 Holmdel, New Jersey 07733	(732) 447-9300	Dorothy Paige Fabulous Flamingals LLC
	4817 Rt.9 Howell, New Jersey 7731	(908) 280-0888	Nick Marco H&S Howell LLC
	4817 Rt.9 Howell, New Jersey 7731	(908) 280-0888	Tara Bogota H&S Howell LLC
	175 Passaic Ave Kearny, New Jersey 07032	(973) 265-9104	Derrick Huggins DDH, LLC
	344 North Main Street (Route 9) Lanoka Harbor, New Jersey 8734	(609) 496-5555	Nick Marco ADBTV Inc.
	344 North Main Street (Route 9) Lanoka Harbor, New Jersey 8734	(609) 496-5555	Tara Bogota ADBTV Inc.
	277 Eisenhower Parkway Livingston, New Jersey 7039	(973) 533-6100	Jeff Silbert HS - Livingston LLC
	277 Eisenhower Parkway Livingston, New Jersey 7039	(973) 533-6100	Ken Silbert HS - Livingston LLC

	295 Route 72 Manahawkin, New Jersey 8050	(609) 597-4440	Tara Bogota
	295 Route 72 Manahawkin, New Jersey 8050	(609) 597-4440	Nick Marco
	55 Route 9 South Manalapan, New Jersey 07726	(732) 431-4722	Nick Marco H&S Manalapan, LLC
	55 Route 9 South Manalapan, New Jersey 07726	(732) 431-4722	Tara Bogota H&S Manalapan, LLC
	884 route 73 north Marlton, New Jersey 8053	(856) 817-0300	Eric Danver FGC Spa LLC
	4215 Black Horse Pike Mays Landing, New Jersey 8330	(609) 484-0808	Ishani Sarkar Sarkars Mays Landing, LLC
	4215 Black Horse Pike Mays Landing, New Jersey 8330	(609) 484-0808	Jesse Hinman Sarkars Mays Landing, LLC
	4215 Black Horse Pike Mays Landing, New Jersey 8330	(609) 484-0808	Rajib Sarkar Sarkars Mays Landing, LLC
	175 Route 70 Medford, New Jersey 08055	(609) 257-3926	Eric Danver
	457 State Hwy 35 Middletown, New Jersey 7701	(732) 842-8500	Nick Marco H&S Middletown LLC
	508 Monmouth Road Millstone, New Jersey 08510	(609) 598-9935	Kasam Basha
	2190 B North 2nd Street Millville, New Jersey 8332	(856) 765-9494	Helen McMenamin THAA Hand & Stone, Inc.
	2190 B North 2nd Street Millville, New Jersey 8332	(856) 765-9494	Thomas McMenamin THAA Hand & Stone, Inc.

	648 Bloomfield Avenue Montclair, New Jersey 7042	(973) 498-1590	Komal Desai
	1320 Route 206 Skillman, New Jersey 08558	(609) 759-2405	Bryan Scheff
	191 E Hanover Avenue Morristown, New Jersey 07960	(973) 998-8055	Zach Friedman Bansi Massage Spa
	191 E Hanover Avenue Morristown, New Jersey 07960	(973) 998-8055	Jessica Longo Bansi Massage Spa
	191 E Hanover Avenue Morristown, New Jersey 07960	(973) 998-8055	Kristen Friedman Bansi Massage Spa
	141 Bridgeton Pike Mullica Hill, New Jersey 8062	(856) 478-4600	Christopher McShea
	141 Bridgeton Pike Mullica Hill, New Jersey 8062	(856) 478-4600	Melanie Vesper
	141 Bridgeton Pike Mullica Hill, New Jersey 8062	(856) 478-4600	Melanie Vesper
	768 Shoppes Blvd. North Brunswick, New Jersey 8902	(732) 317-3222	Ashish Chokshi OHM Spas Inc.
	768 Shoppes Blvd. North Brunswick, New Jersey 8902	(732) 317-3222	Vinender Sodagum OHM Spas Inc.
	2329 State Route 66 Ocean, New Jersey 7712	(732) 228-8101	Eric Danver FGC Spa LLC
	1048 Route 9 Parlin, New Jersey 8859	(908) 264-0081	Nick Marco H&S Old Bridge LLC
	1292 Centennial Avenue Piscataway, New Jersey 8854	(732) 981-1000	Ashish Chokshi CSK Spas, LLC

	1292 Centennial Avenmcnue Piscataway, New Jersey 8854	(732) 981-1000	Shilpa Chokshi CSK Spas, LLC
	1292 Centennial Avenmcnue Piscataway, New Jersey 8854	(732) 981-1000	Vinender Sodagum CSK Spas, LLC
	63 Wanaque Avenue Pompton Lakes, New Jersey 7442	(973) 248-8100	Jeff Silbert HS - Pompton Lakes LLC
	63 Wanaque Avenue Pompton Lakes, New Jersey 7442	(973) 248-8100	Ken Silbert HS - Pompton Lakes LLC
	560 Nassau Park Blvd. Princeton, New Jersey 08540	(609) 514-8600	Eric Danver FGG Spa, LLC
	277 New Road Somers Point, New Jersey 8244	(609) 904-9004	Helen McMenamin NCAA Spa LLC
	277 New Road Somers Point, New Jersey 8244	(609) 904-9004	Daniel DiGangi NCAA Spa LLC
	277 New Road Somers Point, New Jersey 8244	(609) 904-9004	Thomas McMenamin NCAA Spa LLC
	1325 Warren Avenue Spring Lake Heights, New Jersey 7762	(732) 449-1700	Nick Marco H&S Spring Lake LLC
	1358 Hooper Avenue Toms River, New Jersey 08753	(732) 349-9700	Nick Marco TR Spa, Inc.
	1358 Hooper Avenue Toms River, New Jersey 08753	(732) 349-9700	Tara Bogota TR Spa, Inc.
	3501 Rt 42 Turnersville, New Jersey 8012	(856) 629-8080	Rajib Sarkar Sarkars Turnersville, LLC

	3501 Rt 42 Turnersville, New Jersey 8012	(856) 629-8080	Ishani Sarkar Sarkars Turnersville, LLC
	3501 Rt 42 Turnersville, New Jersey 8012	(856) 629-8080	Jesse Hinman Sarkars Turnersville, LLC
	700 Haddonfield Berlin Rd. Voorhees, New Jersey 8043	(856) 627-6277	Eric Danver OBEA, LLC
	1701 Route 22 Watchung, New Jersey 7069	(908) 333-6722	Sriharsha Meda Sarayu Wellness LLC
	1701 Route 22 Watchung, New Jersey 7069	(908) 333-6722	Vasanthi Ailuri Sarayu Wellness LLC
	685 Hamburg Turnpike Wayne, New Jersey 7040	(973) 925-7722	Rajib Sarkar SKIS Wayne Spa
	685 Hamburg Turnpike Wayne, New Jersey 7040	(973) 925-7722	Jesse Hinman SKIS Wayne Spa
	685 Hamburg Turnpike Wayne, New Jersey 7040	(973) 925-7722	Ishani Sarkar SKIS Wayne Spa
	310 State Hwy 36 West Long Branch, New Jersey 7740	(732) 389-9009	Nick Marco H&S West Long Branch LLC
	789 St. Georges Avenue Woodbridge, New Jersey 7095	(732) 874-5373	Eric Danver FGG Spa, LLC
	789 St. Georges Avenue Woodbridge, New Jersey 7095	(732) 874-5373	Katie Danver FGG Spa, LLC
New York			
	98 Wolf Road Albany, New York 12205	(518) 941-9550	Kathryn Perez

	98 Wolf Road Albany, New York 12205	(518) 941-9550	Carlos Perez
	124 East Main Street Babylon, New York 11702	(631) 669-4600	Tina Blaise Hot Rock of Babylon, LLC
	124 East Main Street Babylon, New York 11702	(631) 669-4600	Tina Blaise Hot Rock of Babylon, LLC
	595 E. Main Street Bay Shore, New York 11706	(631) 954-0450	Cathy Mirabella Mirror Bella, Inc.
	595 E. Main Street Bay Shore, New York 11706	(631) 954-0450	Michael Mirabella Mirror Bella, Inc.
	2736 Merrick Road Bellmore, New York 11710	(516) 308-0999	Lisa Moss High Point H&S, Inc.
	34 N 6th Street Brooklyn, New York 11249	(718) 540-4680	Dylan Perlman
	34 N 6th Street Brooklyn, New York 11249	(718) 540-4680	Judy Zozzaro Guarino
	34 N 6th Street Brooklyn, New York 11249	(718) 540-4680	Jolene Libretto
	214A Glen Cove Road Carle Place, New York 11514	(516) 806-4322	George Stephanos Geroma LLC
	6020 Jericho Turnpike Commack, New York 11725	(631) 462-1010	Lauren Kulberg LMK Enterprises LLC
	6020 Jericho Turnpike Commack, New York 11725	(631) 462-1010	Michael Kulberg LMK Enterprises LLC
	1300 Broadway Hewlett, New York 11557	(516) 619-9600	Alan Bernstein Spectacular Spa, Inc.

	16 Wall Street Huntington, New York 11743	(631) 424-2200	Tina Blaise Hot Rock Holdings, Inc.
	16 Wall Street Huntington, New York 11743	(631) 424-2200	Tina Blaise Hot Rock Holdings, Inc.
	467 North Broadway Jericho, New York 11753	(516) 801-8200	Gil Rejwan
	467 North Broadway Jericho, New York 11753	(516) 801-8200	Lisa Rejwan
	3515 Hempstead Turnpike Levittown, New York 11756	(516) 622-3077	Dylan Perlman Levittown Massage Spa LLC
	345 Mamaroneck Avenue Mamaroneck, New York 10543	(914) 268-9040	Jenny Pfaff Two Ports Opportunity Fund I, LLC
	315 Walt Whitman Road Melville, New York 11746	(631) 677-1300	Russ Imbesi RJI Corporation
	170 South Main Street New City, New York 10956	(845) 708-0808	Sindy Vasquez NJP Enterprises LLC
	987 Port Washington Blvd Port Washington, New York 11050	(516) 944-6000	Rosalia Yarrington
	987 Port Washington Blvd Port Washington, New York 11050	(516) 944-6000	Robert and Rosalia Yarrington
	1895 South Rd Poughkeepsie, New York 12601	(845) 298-8088	Marianne Durr Marirobe of New York, LLC
	1895 South Rd Poughkeepsie, New York 12601	(845) 298-8088	Robert Durr Marirobe of New York, LLC

	302 Merrick Road Rockville Centre, New York 11570	(516) 766-4772	Dylan Perlman Wood Spa Services Inc.
	126 E. Main Street Smithtown, New York 11787	(631) 982-4900	Russ Imbesi Spa Azzurro, Inc.
	205 Bricktown Way Staten Island, New York 10309	(718) 568-8541	Derrick Huggins
	2300 Nesconset Highway Stony Brook, New York 11790	(631) 751-4131	Rob Kirch Tia Mia, Inc.
	2300 Nesconset Highway Stony Brook, New York 11790	(631) 751-4131	Tina Kirch Tia Mia, Inc.
	8 Second Street Yonkers, New York 10710	(914) 361-4263	Jenny Pfaff Yonkers Hand & Stone LLC
North Carolina			
	1431 Kelly Road Apex, North Carolina 27502	(919) 650-4611	Eric Danver E CNR Massage and Facial Store #7, LLC
	1431 Kelly Road Apex, North Carolina 27502	(919) 650-4611	Katie Danver E CNR Massage and Facial Store #7, LLC
	1829 Hendersonville Road Asheville, North Carolina 28803	(828) 229-7733	Eric Danver H&S Asheville South, LLC
	1829 Hendersonville Road Asheville, North Carolina 28803	(828) 229-7733	Katie Danver H&S Asheville South, LLC
	80 S Tunnel Road Asheville, North Carolina 28805	(828) 785-4488	Tina Crawford Remarkably Made Corp.
	12210 Bradford Green Square Cary, North Carolina	(919) 465-0819	Jeff Heck

	27519		
	302 Colonades Way Cary, North Carolina 27518	(919) 238-4810	Brittany Cole
	302 Colonades Way Cary, North Carolina 27518	(919) 238-4810	Robert Cole
	8 Meadowmont Village Chapel Hill, North Carolina 27517	(919) 929-6988	Andy Johnson WardMarie Inc.
	8 Meadowmont Village Chapel Hill, North Carolina 27517	(919) 929-6988	Christine Johnson WardMarie Inc.
	16615 Lancaster Highway Charlotte, North Carolina 28277	(704) 341-2052	Chad Foster and Keith Long
	16615 Lancaster Highway Charlotte, North Carolina 28277	(704) 341-2052	Mark Reisinger
	13540 Hoover Creek Blvd. Charlotte, North Carolina 28273	(980) 202-6699	Chris Jewell H&S Limited Holdings of NC-1, LLC
	13540 Hoover Creek Blvd. Charlotte, North Carolina 28273	(980) 202-6699	Susan Jewell H&S Limited Holdings of NC-1, LLC
	4310 Sharon Road Charlotte, North Carolina 28211	(704) 947-8715	Katie Danver
	4310 Sharon Road Charlotte, North Carolina 28211	(704) 947-8715	Eric Danver
	16615 Lancaster Hwy Ste 107 Charlotte, North Carolina 28277	(704) 341-2052	Chad Foster and Keith Long

	16615 Lancaster Hwy Ste 107 Charlotte, North Carolina 28277	(704) 341-2052	Mark Reisinger
	8915 Christenbury Pkwy Concord, North Carolina 28027	(704) 315-6694	Eric Danver ECNR Massage and Facial Store #6, LLC
	8915 Christenbury Pkwy Concord, North Carolina 28027	(704) 315-6694	Katie Danver ECNR Massage and Facial Store #6, LLC
	1819 Martin Luther King, Jr. Parkway Durham, North Carolina 27707	(919) 794-8086	Jeff Heck
	318 Glensford Drive Fayetteville, North Carolina 28314	(910) 300-9611	Eric Danver ECNR Massage and Facial Store #3, LLC
	318 Glensford Drive Fayetteville, North Carolina 28314	(910) 300-9611	Katie Danver ECNR Massage and Facial Store #3, LLC
	1451 East Broad Street Fuquay-Varina, North Carolina 27526	(919) 914-0944	Shelly Lynn Rosende RoseWealth, Inc.
	1451 East Broad Street Fuquay-Varina, North Carolina 27526	(919) 914-0944	Jorge Rosende RoseWealth, Inc.
	166 Shenstone Blvd. Garner, North Carolina 27529	(919) 299-6159	Tiffany Hook and Daniel Hook
	166 Shenstone Blvd. Garner, North Carolina 27529	(919) 299-6159	Daniel Hook and Tiffany Hook
	3352 W. Friendly Ave. Greensboro, North Carolina 27410	(336) 218-6998	Eric Danver
	3352 W. Friendly Ave. Greensboro, North Carolina 27410	(336) 218-6998	Katie Danver

	4117 Brian Jordan Place High Point, North Carolina 27265	(336) 790-5660	Katie Danver
	4117 Brian Jordan Place High Point, North Carolina 27265	(336) 790-5660	Eric Danver
	14210 Market Square Drive Huntersville, North Carolina 28078	(704) 946-2040	Franci Pirkle Honey Badger Ventures Inc.
	2304 Matthews Township Parkway Matthews, North Carolina 28105	(704) 321-4404	Joe O'connell
	2833 W. Highway 74 Monroe, North Carolina 28110	(980) 758-2333	Eric Danver
	631 Brawley School Road Mooresville, North Carolina 28117	(704) 800-5535	Conrad Hunter and Janet Hunter
	631 Brawley School Road Mooresville, North Carolina 28117	(704) 800-5535	Janet Hunter and Conrad Hunter
	6625 Falls of Neuse Rd. Raleigh, North Carolina 27615	(919) 729-5606	Chris Parks
	9650 Leesville Road Raleigh, North Carolina 27613	(984) 238-2366	Andy Johnson WardMarie Leesville LLC
	9650 Leesville Road Raleigh, North Carolina 27613	(984) 238-2366	Christine Johnson WardMarie Leesville LLC
	402 Oberlin Road Raleigh, North Carolina 27605	(919) 749-5335	Tiffany Hook and Daniel Hook
	402 Oberlin Road Raleigh, North Carolina 27605	(919) 749-5335	Daniel Hook and Tiffany Hook

	10205 US 15-501 Highway Southern Pines, North Carolina 28387	(910) 505-9510	Eric Danver ECNR Massage and Facial Store #4, LLC
	10205 US 15-501 Highway Southern Pines, North Carolina 28387	(910) 505-9510	Katie Danver ECNR Massage and Facial Store #4, LLC
	3612 Rogers Branch Road Wake Forest, North Carolina 27587	(919) 263-4955	Shelly Lynn Rosende JR Wealth LLC
	3612 Rogers Branch Road Wake Forest, North Carolina 27587	(919) 263-4955	Jorge Rosende JR Wealth LLC
	840 Town Center Drive Wilmington, North Carolina 28405	(910) 294-8866	Andy Johnson WardMarie Mayfaire LLC
	840 Town Center Drive Wilmington, North Carolina 28405	(910) 294-8866	Christine Johnson WardMarie Mayfaire LLC
	310 S. Stratford Road Winston-Salem, North Carolina 27103	(336) 790-9644	Eric Danver
	310 S. Stratford Road Winston-Salem, North Carolina 27103	(336) 790-9644	Katie Danver
Ohio			
	27950 Chagrin Blvd Beachwood, Ohio 44122	(216) 839-2772	David Schuck Neo Spa, LLC
	27950 Chagrin Blvd Beachwood, Ohio 44122	(216) 839-2772	Ashley Snyder Neo Spa, LLC
	27950 Chagrin Blvd Beachwood, Ohio 44122	(216) 839-2772	Dare Peed Neo Spa, LLC
	27950 Chagrin Blvd Beachwood, Ohio 44122	(216) 839-2772	Ethan Black Neo Spa, LLC
	27950 Chagrin Blvd Beachwood, Ohio 44122	(216) 839-2772	Rahul Kulkarni Neo Spa, LLC

	4992-D Fulton Dr. NW Canton, Ohio 44718	(330) 470-4767	Eric McKimm and Miranda McKimm
	4992-D Fulton Dr. NW Canton, Ohio 44718	(330) 470-4767	Miranda Mckimm
	5240 Cornerstone North Blvd. Centerville, Ohio 45440	(937) 907-3030	Michael Lane Cornerstone Relaxation, LLC
	690 Eastgate Drive Cincinnati, Ohio 45245	(513) 757-9021	Scott Collett Stone Spa Eastgate LLC
	9861 Waterstone Blvd. Cincinnati, Ohio 45249	(513) 683-4263	Scott Collett
	3242 Vandercar Way Cincinnati, Ohio 45209	(513) 644-0330	Scott Collett Beybridge LLC
	1190 Polaris Parkway Columbus, Ohio 43240	(614) 430-9911	Scott Collett Partanna Holdings, LLC
	5792 Hamilton Road Columbus, Ohio 43230	(614) 758-3028	David Burch Burchco LLC
	2826 Miamisburg Centerville Rd. Dayton, Ohio 45459	(937) 350-6669	Michael Lane
	6570 Perimeter Drive Dublin, Ohio 43017	(614) 792-7721	David Burch CNB Partners, LLC
	313 Hamilton Road Gahanna, Ohio 43230	(614) 741-0340	David Burch
	1888 Hilliard Rome Road Hilliard, Ohio 43026	(614) 819-3570	Scott Collett
	7841 W. Ridgewood Drive Parma, Ohio 44129	(440) 427-3523	Neel Patel
	8077 East Broad Street Reynoldsburg, Ohio 43068	(614) 655-4342	Krista Neal Ken Ventures, Inc.
	17100 Royalton Road Strongsville, Ohio 44136	(440) 772-0410	David Schuck Rocky River Spa Company, LLC

	17100 Royalton Road Strongsville, Ohio 44136	(440) 772-0410	Rahul Kulkarni Rocky River Spa Company, LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 772-0410	Ashley Snyder Rocky River Spa Company, LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 772-0410	Dare Peed Rocky River Spa Company, LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 772-0410	Ethan Black Rocky River Spa Company, LLC
	33631 Aurora Road Solon, Ohio 44139	(216) 282-0958	Robert Crowley
	33631 Aurora Road Solon, Ohio 44139	(216) 282-0958	Dhrumil Patel
	33631 Aurora Road Solon, Ohio 44139	(216) 282-0958	Tapan Patel
	17100 Royalton Road Strongsville, Ohio 44136	(440) 730-4223	Ethan Black Strongsville Spa Company LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 730-4223	Rahul Kulkarni Strongsville Spa Company LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 730-4223	Ashley Snyder Strongsville Spa Company LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 730-4223	David Schuck Strongsville Spa Company LLC
	17100 Royalton Road Strongsville, Ohio 44136	(440) 730-4223	Dare Peed Strongsville Spa Company LLC
	5333 Monroe Street Toledo, Ohio	(419) 930-0609	David Schmier
	5333 Monroe Street Toledo, Ohio	(419) 930-0609	Jeffrey Belen
	7685 Doc Drive West Chester, Ohio 45069	(513) 982-1632	Scott Collett WC Beybridge, LLC
	30044 Detroit Road Suite 122	(216) 350-9992	Ashley Snyder

	Westlake, Ohio 44145		
	30044 Detroit Road Suite 122 Westlake, Ohio 44145	(216) 350-9992	Ethan Black
	30044 Detroit Road Suite 122 Westlake, Ohio 44145	(216) 350-9992	Rahul Kulkarni
	30044 Detroit Road Suite 122 Westlake, Ohio 44145	(216) 350-9992	Dare Peed
	30044 Detroit Road Suite 122 Westlake, Ohio 44145	(216) 350-9992	David Schuck
Oklahoma			
	7323 South Olympia Avenue Tulsa, Oklahoma 74132	(918) 727-2772	Ryan Goodnight Omega League Investments, LLC
	7323 South Olympia Avenue Tulsa, Oklahoma 74132	(918) 727-2772	Teresa Goodnight Omega League Investments, LLC
Oregon			
	3435 Cedar Hills Blvd Beaverton, Oregon 97005	(503) 626-8200	Monica Rivas
	3435 Cedar Hills Blvd Beaverton, Oregon 97005	(503) 626-8200	Guillermo Ortega
	12325 SW Horizon Blvd. Beaverton, Oregon 97007	(503) 616-7057	Monica Rivas HSNW Beaverton LLC
	12325 SW Horizon Blvd. Beaverton, Oregon 97007	(503) 616-7057	Guillermo Ortega HSNW Beaverton LLC

	16144 SE Happy Valley Town Center Dr Happy Valley, Oregon 97086	(503) 658-7500	Monica Rivas HSNW Happy Valley LLC
	16144 SE Happy Valley Town Center Dr Happy Valley, Oregon 97086	(503) 658-7500	Guillermo Ortega HSNW Happy Valley LLC
	7397 NE Butler St. Hillsboro, Oregon 97124	(503) 681-4949	Guillermo Ortega HS Pearl Hillsboro, LLC
	7397 NE Butler St. Hillsboro, Oregon 97124	(503) 681-4949	Monica Rivas HS Pearl Hillsboro, LLC
	4823 Meadows Road Lake Oswego, Oregon 97035	(503) 908-3999	Guillermo Ortega
	4823 Meadows Road Lake Oswego, Oregon 97035	(503) 908-3999	Monica Rivas
	4155 N. Williams Avenue Portland, Oregon 97217	(503) 444-8292	Guillermo Ortega HS Pearl, LLC
	4155 N. Williams Avenue Portland, Oregon 97217	(503) 444-8292	Monica Rivas HS Pearl, LLC
	25 NW 23rd Place Portland, Oregon 97210	(503) 488-6770	Guillermo Ortega HS Pearl, LLC
	25 NW 23rd Place Portland, Oregon 97210	(503) 488-6770	Monica Rivas HS Pearl, LLC
Pennsylvania			
	750 N. Krocks Road Allentown, Pennsylvania 18106	(610) 841-8882	Eric Danver JCS Ventures Inc.
	67 E. City Line Avenue Bala Cynwyd, Pennsylvania 19004	(610) 572-2788	Mr. Grace Zhao GD Spa LLC
	3926 Linden Street Bethlehem, Pennsylvania 18020	(610) 419-6050	Robin Bansal Bansi Massage Spa

	938 DeKalb Pike Blue Bell, Pennsylvania 19422	(215) 278-6219	Robin Bansal
	4912 Edgmont Avenue Brookhaven, Pennsylvania 19015	(610) 340-3190	Robin Bansal BANSI MASSAGE AND SPA, LLC
	Lawrence Park Shopping Center Broomall, Pennsylvania 19008	(610) 359-0100	Dianne Burkitt
	761 Lancaster Avenue Bryn Mawr, Pennsylvania 19010	(610) 642-7721	Dana Kline Hi-Maintenance, LLC
	761 Lancaster Avenue Bryn Mawr, Pennsylvania 19010	(610) 642-7721	Stuart Kline Hi-Maintenance, LLC
	3506 Capital City Mall Dr. Camp Hill, Pennsylvania 17011	(717) 459-9300	Eric Danver FGG Spa, LLC
	2960 Center Valley Parkway Center Valley, Pennsylvania 18034	(610) 709-8709	Eric Danver
	200 West Ridge Pike Conshohocken, Pennsylvania 19428	(610) 340-3134	Eric Danver FGG Spa, LLC
	1713 Route 228 Cranberry, Pennsylvania 16066	(724) 638-8508	Gregory Billy Nostra Vita, LLC
	1713 Route 228 Cranberry, Pennsylvania 16066	(724) 638-8508	Janell Billy Nostra Vita, LLC
	3912 Commerce Blvd. Dickson City, Pennsylvania 18519	(570) 561-2200	John Beggs
	3912 Commerce Blvd. Dickson City, Pennsylvania 18519	(570) 561-2200	Mr. Richard Bunchalk

	3770 Dryland Way Easton, Pennsylvania 18045	(610) 258-3909	Eric Danver JCS Ventures, Inc.
	207 W Lincoln Highway Exton, Pennsylvania 19341	(610) 363-0400	Robin Bansal Bansai Massage and Spa, LLC
	190 E. Street Road Feasterville-Trevoise, Pennsylvania 19053	(215) 322-8888	Bryn Erace
	190 E. Street Road Feasterville-Trevoise, Pennsylvania 19053	(215) 322-8888	Joseph Erace
	1864 Bethlehem Pike Flourtown, Pennsylvania 19031	(215) 233-4222	Anthony Nocito NocitoWorks HV, Inc.
	1864 Bethlehem Pike Flourtown, Pennsylvania 19031	(215) 233-4222	Traci Nocito NocitoWorks HV, Inc.
	301 Byers Drive Glen Mills, Pennsylvania 19342	(610) 361-6171	Eric Danver Tri Group Enterprises, LLC
	301 Byers Drive Glen Mills, Pennsylvania 19342	(610) 361-6171	Katie Danver Tri Group Enterprises, LLC
	2615 Brindle Drive Harrisburg, Pennsylvania 17110	(717) 651-1133	Penny Smith Echo Unlimited, Inc.
	2615 Brindle Drive Harrisburg, Pennsylvania 17110	(717) 651-1133	Andy Smith Echo Unlimited, Inc.
	2028 County Line Rd. Huntingdon Valley, Pennsylvania 19006	(215) 355-3111	Traci Nocito NocitoWorks HV Inc.
	2028 County Line Rd. Huntingdon Valley, Pennsylvania 19006	(215) 355-3111	Anthony Nocito NocitoWorks HV Inc.
	126 Onix Drive Kennett Square, Pennsylvania 19348	(484) 732-8134	Greg Shishko

	150 Allendale Road King of Prussia, Pennsylvania 19406	(484) 322-2992	Stuart Kline Simon Ross, LLC
	150 Allendale Road King of Prussia, Pennsylvania 19406	(484) 322-2992	Dana Kline Simon Ross, LLC
	2351 Oregon Pike Lancaster, Pennsylvania 17601	(717) 569-1133	Penny Smith Echo Unlimited, Inc.
	2351 Oregon Pike Lancaster, Pennsylvania 17601	(717) 569-1133	Andy Smith Echo Unlimited, Inc.
	512 Oxford Valley Road Langhorne, Pennsylvania 19047	(215) 752-7900	Eric Danver FGG Spa, LLC
	3937 Washington Road McMurray, Pennsylvania 15317	(412) 324-8800	Mark Lega RM & AJ Developments, LLC
	3937 Washington Road McMurray, Pennsylvania 15317	(412) 324-8800	Lauren Lega RM & AJ Developments, LLC
	20 Airport Square North Wales, Pennsylvania 19454	(215) 855-7771	Connie Lineman Stepping Stone Adventures, LLC
	20 Airport Square North Wales, Pennsylvania 19454	(215) 855-7771	Maripat Mowry Stepping Stone Adventures, LLC
	2844 S. Eagle Road Newtown, Pennsylvania 18940	(215) 968-3700	Cathy Malerman
	4831 West Chester Pike Newtown Square, Pennsylvania 19073	(484) 427-7090	Eric Danver
	1425 Locust Street Philadelphia, Pennsylvania 19102	(267) 687-8666	Bryan Rodner BBHS, LLC
	420 N 20th St Philadelphia, Pennsylvania 19130	(267) 455-0009	Eric Stahl Star and Sky Restore LLC

	420 N 20th St Philadelphia, Pennsylvania 19130	(267) 455-0009	Loren Barsky Star and Sky Restore LLC
	2500 Grant Avenue NE Philadelphia, Pennsylvania 19114	(267) 732-7065	Bryn Erace J&G Spa's LLC
	2500 Grant Avenue NE Philadelphia, Pennsylvania 19114	(267) 732-7065	Joseph Erace J&G Spa's LLC
	3200 Chestnut Street Philadelphia, Pennsylvania 19104	(215) 259-7533	Jason Martini Crowtini Incorporated
	3200 Chestnut Street Philadelphia, Pennsylvania 19104	(215) 259-7533	Wayne Crowther Crowtini Incorporated
	2201 Cottman Avenue Philadelphia, Pennsylvania 19149	(267) 388-2890	Bryn Erace
	2201 Cottman Avenue Philadelphia, Pennsylvania 19149	(267) 388-2890	Joseph Erace
	2306 W. Oregon Avenue Philadelphia, Pennsylvania 19145	(267) 825-7060	Bryn Erace
	2306 W. Oregon Avenue Philadelphia, Pennsylvania 19145	(267) 825-7060	Joseph Erace
	1570 Egypt Road Phoenixville, Pennsylvania 19456	(610) 666-9600	Eric Danver G. Ruffenach, LLC
	6102 Centre Ave Pittsburgh, Pennsylvania 15206	(412) 404-6393	Gregory Billy Nostra Vita, LLC
	6102 Centre Ave Pittsburgh, Pennsylvania 15206	(412) 404-6393	Janell Billy Nostra Vita, LLC
	936 Penn Ave. Pittsburgh, Pennsylvania 15222	(412) 307-3199	Joe Pewdo NMPJ Enterprises Inc

	936 Penn Ave. Pittsburgh, Pennsylvania 15222	(412) 307-3199	Nina Pewdo NMPJ Enterprises Inc
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Sri Busi and Thanooj Kamavarapu KamaChee LLC
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Vijaya Kasireddy and Vidyasagar Cheekati KamaChee LLC
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Thanooj Kamavarapu and Sri Busi KamaChee LLC
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Archana Puli and Manoj Kamavarapu KamaChee LLC
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Manoj Kamavarapu and Archana Puli KamaChee LLC
	456 Home Drive Pittsburgh, Pennsylvania 15275	(412) 923-3299	Vidyasagar Cheekati and Vijaya Kasireddy KamaChee LLC
	245 Upland Square Drive Pottstown, Pennsylvania 19464	(484) 948-4995	Robin Bansal
	1465 West Broad Street Quakertown, Pennsylvania 18951	(215) 992-7999	Michael Albanese ABCK H&S Inc.
	1465 West Broad Street Quakertown, Pennsylvania 18951	(215) 992-7999	Julie Borrelli ABCK H&S Inc.
	1465 West Broad Street Quakertown, Pennsylvania 18951	(215) 992-7999	Stacey Clemons ABCK H&S Inc.
	1465 West Broad Street Quakertown, Pennsylvania 18951	(215) 992-7999	Noelle Albanese ABCK H&S Inc.
	1100 S. Columbus Blvd. Philadelphia, Pennsylvania 19147	(215) 259-7576	Jason Guzy

	1100 S. Columbus Blvd. Philadelphia, Pennsylvania 19147	(215) 259-7576	Jaime Guzy
	1100 S. Columbus Blvd. Philadelphia, Pennsylvania 19147	(215) 259-7576	Matt Jones
	1844 E. Ridge Pike Royersford, Pennsylvania 19468	(610) 792-0772	Eric Danver
	300 Commerce Boulevard Stroudsburg, Pennsylvania 18360	(570) 664-7003	John Beggs
	300 Commerce Boulevard Stroudsburg, Pennsylvania 18360	(570) 664-7003	Mr. Richard Bunchalk
	100 Siena Drive Upper St. Clair, Pennsylvania 15241	(412) 604-9700	Lauren Lega M&L Wellness, LLC
	100 Siena Drive Upper St. Clair, Pennsylvania 15241	(412) 604-9700	Mark Lega M&L Wellness, LLC
	1661 Easton Road Warrington, Pennsylvania 18976	(215) 491-1022	Greg Mowry Rock Solid Investments, Inc.
	1661 Easton Road Warrington, Pennsylvania 18976	(215) 491-1022	Maripat Mowry Rock Solid Investments, Inc.
	503 W. Lancaster Ave. Wayne, Pennsylvania 19087	(610) 964-7800	Michelle Harhai
	12085 Perry Highway Wexford, Pennsylvania 15090	(412) 455-5520	Medha Gokhale
	411 Arena Hub Plaza Wilkes-Barre, Pennsylvania 18702	(570) 828-3899	Mr. Richard Bunchalk

	411 Arena Hub Plaza Wilkes-Barre, Pennsylvania 18702	(570) 828-3899	John Beggs
	168 Park Ave Willow Grove, Pennsylvania 19090	(215) 657-6100	Eric Danver FGG Spa, LLC
	1185 Berkshire Blvd. Wyomissing, Pennsylvania 19610	(610) 373-1213	Eric Danver
South Carolina			
	702 Cross Hill Road Columbia, South Carolina 29205	(803) 726-0364	Will Dennis
	275 Park Terrace Drive Columbia, South Carolina 29212	(803) 219-1140	Will Dennis Park Terrance Holdings LLC
	67 Woodruff Industrial Lane Greenville, South Carolina 29607	(864) 234-5772	Will Dennis
	755 Hammett Bridge Road Greer, South Carolina 29650	(864) 438-0845	Sandy Francis
	7756 Charlotte Highway Indian Land, South Carolina 29707	(803) 820-0380	Abbey Cameron Cameron Wellness Group, LLC
	7756 Charlotte Highway Indian Land, South Carolina 29707	(803) 820-0380	Scott Cameron Cameron Wellness Group, LLC
	976 Houston Northcutt Blvd. Mount Pleasant, South Carolina 29464	(843) 936-4040	Mark Reisinger
	976 Houston Northcutt Blvd. Mount Pleasant, South Carolina 29464	(843) 936-4040	Chad Foster and Keith Long
	1416 Highway 17 N. North Myrtle Beach, South Carolina 29582	(843) 508-8110	Anthony Nocito

	1416 Highway 17 N. North Myrtle Beach, South Carolina 29582	(843) 508-8110	Traci Nocito
	1101 N. Main Street Summerville, South Carolina 29483	(843) 800-8322	Chad Foster and Keith Long H&S of Summerville, LLC
	1101 N. Main Street Summerville, South Carolina 29483	(843) 800-8322	Mark Reisinger H&S of Summerville, LLC
Tennessee			
	201 Franklin Road Brentwood, Tennessee 37027	(615) 850-4360	Eric Danver JS Mullen Enterprises II
	4091 Mallory Lane Franklin, Tennessee 37067	(615) 791-0091	Eric Danver
	536 North Thompson Lane Murfreesboro, Tennessee 37129	(615) 217-8181	Eric Danver
Texas			
	190 East Stacy Road Allen, Texas 75002	(972) 787-0117	Sandeep Khurana Silver Space, LLC
	190 East Stacy Road Allen, Texas 75002	(972) 787-0117	Shilpa Khurana Silver Space, LLC
	1701 W Randol Mill Road Arlington, Texas 76012	(817) 274-4880	Amy Glass Arlington Bliss Holdings LLC
	1701 W Randol Mill Road Arlington, Texas 76012	(817) 274-4880	Hayley Smetana Arlington Bliss Holdings LLC
	1701 W Randol Mill Road Arlington, Texas 76012	(817) 274-4880	Jiri Smetana Arlington Bliss Holdings LLC
	1701 W Randol Mill Road Arlington, Texas 76012	(817) 274-4880	Pat West Arlington Bliss Holdings LLC
	3751 Matlock Rd. Arlington, Texas 76015	(817) 468-2020	Robert Boulware

	10526 W. Parmer Lane Austin, Texas 78717	(512) 733-6000	Teri Evans
	10740 Research Blvd. Austin, Texas 78759	(512) 357-8311	Teri Evans Spring Leaf, LLC
	4301 W. William Cannon Austin, Texas 78749	(512) 892-1888	Teri Evans
	13500 Galleria Circle Bee Cave, Texas 78738	(512) 263-2227	Diana Wagner
	13500 Galleria Circle Bee Cave, Texas 78738	(512) 263-2227	Keith Wagner
	140 NW John Jones Drive Burleson, Texas 76028	(817) 207-5636	Amy Glass
	140 NW John Jones Drive Burleson, Texas 76028	(817) 207-5636	Pat West
	449 S. Loop 336 W Suite 500 Conroe, Texas 77304	(936) 756-3800	Kristy Tennant
	449 S. Loop 336 W Suite 500 Conroe, Texas 77304	(936) 756-3800	Mark Tennant
	140 W Sandy Lake Road Coppell, Texas 75019	(972) 295-9053	Mike Anderson MPKM Enterprises, Inc.
	17333 Spring Cypress Road Cypress, Texas 77429	(346) 344-4338	Grace Salha and Wesam Salha
	17333 Spring Cypress Road Cypress, Texas 77429	(346) 344-4338	Wesam Salha and Grace Salha
	5100 Belt Line Road Dallas, Texas 75254	(972) 991-6000	Hayley Smetana Moorea Ventures, Inc.
	5100 Belt Line Road Dallas, Texas 75254	(972) 991-6000	Jiri Smetana Moorea Ventures, Inc.

	7331 Gaston Avenue Dallas, Texas 75214	(214) 975-3975	David Hines Dallas Massage and Facial, LLC
	3699 McKinney Ave. Dallas, Texas 75204	(214) 396-9112	Nicolas D'Amico RJDA Development, LLC
	3699 McKinney Ave. Dallas, Texas 75204	(214) 396-9112	Richard D'Amico RJDA Development, LLC
	6411 E. Northwest Highway Dallas, Texas 75231	(214) 489-7277	David Hines High Point H&S LLC
	664 Sunland Park Drive El Paso, Texas 79912	(915) 296-5900	Rossane Neria
	664 Sunland Park Drive El Paso, Texas 79912	(915) 296-5900	Kaleb Warnock
	664 Sunland Park Drive El Paso, Texas 79912	(915) 296-5900	Ms. Rossane Neria
	2921 State Highway 121 Eules, Texas 76039	(817) 809-4448	Khamphiou Brinkley
	2921 State Highway 121 Eules, Texas 76039	(817) 809-4448	Stephen Brinkley
	3501 Long Prairie Road Flower Mound, Texas 75022	(972) 355-3939	Milton Honza Kamm Associates Inc.
	3501 Long Prairie Road Flower Mound, Texas 75022	(972) 355-3939	Mark McCullin Kamm Associates Inc.
	9180 North Freeway Fort Worth, Texas 76177	(817) 750-7777	Kim Meyers K&L Spa Services, LLC
	9180 North Freeway Fort Worth, Texas 76177	(817) 750-7777	Larry Meyers K&L Spa Services, LLC
	4670 SW Loop 820 Fort Worth, Texas 76109	(817) 809-4558	Khamphiou Brinkley
	4670 SW Loop 820 Fort Worth, Texas	(817) 809-4558	Stephen Brinkley

	76109		
	2700 Presidio Vista Drive Fort Worth, Texas 76177	(817) 953-8810	Kim Meyers
	2700 Presidio Vista Drive Fort Worth, Texas 76177	(817) 953-8810	Larry Meyers
	3240 West 7th Street Fort Worth, Texas 76107	(817) 953-8550	Amy Glass
	3240 West 7th Street Fort Worth, Texas 76107	(817) 953-8550	Pat West
	3211 Preston Road Frisco, Texas 75034	(214) 915-2125	Khamphiou Brinkley FourSite Capital, LLC
	3211 Preston Road Frisco, Texas 75034	(214) 915-2125	Stephen Brinkley FourSite Capital, LLC
	6323 Camp Bowie Blvd. Fort Worth, Texas 76116	(817) 953-8180	Khamphiou Brinkley
	6323 Camp Bowie Blvd. Fort Worth, Texas 76116	(817) 953-8180	Stephen Brinkley
	6230 FM 1463 Fulshear, Texas 77441	(281) 310-5330	Mark Mize Lonestar Relaxation I, LLC
	6230 FM 1463 Fulshear, Texas 77441	(281) 310-5330	Heather Mize Lonestar Relaxation I, LLC
	1225 S IH 35 Georgetown, Texas 78626	(512) 890-1108	Darrell Aubrey AubreyCorps LLC
	12520 Memorial Drive Houston, Texas 77024	(713) 904-3830	Allison Berry
	12520 Memorial Drive Houston, Texas 77024	(713) 904-3830	Cameron Berry

	5213 Kelvin Drive Houston, Texas 77005	(713) 520-6161	Jeff Flannery Bright Solutions II, LLC
	1745 South Voss Road Houston, Texas 77057	(713) 972-9000	Jeff Flannery Premium Wellness Enterprises, LLC
	2009 W. 34th Street Houston, Texas 77018	(713) 955-3450	Greg Green
	2009 W. 34th Street Houston, Texas 77018	(713) 955-3450	Al Hassler
	2009 W. 34th Street Houston, Texas 77018	(713) 955-3450	Cara Green
	12712 W. Lake Houston Parkway Houston, Texas 77044	(713) 955-3988	Cameron Berry
	12712 W. Lake Houston Parkway Houston, Texas 77044	(713) 955-3988	Allison Berry
	10123 Louetta Road Houston, Texas 77070	(832) 717-3800	Brittany Rodgers Spa Solution III, LLC
	10123 Louetta Road Houston, Texas 77070	(832) 717-3800	Tony Rodgers Spa Solution III, LLC
	5004 Gattis School Road Hutto, Texas 78634	(512) 717-7764	Churee Carrillo
	5004 Gattis School Road Hutto, Texas 78634	(512) 717-7764	Jerry Gillies
	941 MacArthur Park Drive Irving, Texas 75063	(972) 556-9155	Jeff Sperring BayRal Inc.
	941 MacArthur Park Drive Irving, Texas 75063	(972) 556-9155	Laurey Sperring BayRal Inc.
	23541 Westheimer Parkway Katy, Texas 77494	(281) 869-3903	Chris Wibner Three Sisters Texas Spa Services
	23541 Westheimer Parkway Katy, Texas 77494	(281) 869-3903	Elizabeth Wibner Three Sisters Texas Spa Services

	4523 Kingwood Drive Kingwood, Texas 77345	(281) 940-8979	Allison Berry
	4523 Kingwood Drive Kingwood, Texas 77345	(281) 940-8979	Cameron Berry
	651 N. US Highway 183 Leander, Texas 78641	(512) 260-2224	Robert Barnes Snowflake Dreams, LLC
	1530 Debbie Lane Mansfield, Texas 76063	(817) 473-4772	Amy Glass Lighting, Inc.
	1530 Debbie Lane Mansfield, Texas 76063	(817) 473-4772	Pat West Lighting, Inc.
	15962 W. Eldorado Parkway Frisco, Texas 75035	(972) 542-8100	Milton Honza North Texas Spa Company, LLC
	15962 W. Eldorado Parkway Frisco, Texas 75035	(972) 542-8100	Mark McCullin North Texas Spa Company, LLC
	8840 Highway 6 Sienna Village, Texas 77459	(281) 810-3441	Mark Mize
	8840 Highway 6 Sienna Village, Texas 77459	(281) 810-3441	Heather Mize
	119 N. Murphy Road Murphy, Texas 75094	(214) 396-8061	Sandeep Khurana TCLE, LLC
	119 N. Murphy Road Murphy, Texas 75094	(214) 396-8061	Shilpa Khurana TCLE, LLC
	8528 Davis Blvd North Richland Hills, Texas 76182	(817) 281-2226	Kim Meyers K&L Spa Services, LLC
	8528 Davis Blvd North Richland Hills, Texas 76182	(817) 281-2226	Larry Meyers K&L Spa Services, LLC
	4801 W. Park Blvd. Plano, Texas 75093	(972) 612-9972	Jamie Kim
	1070 South Preston Road	(469) 277-8386	Dhananschandra "DC" Rao

	Prosper, Texas 75078		
	1070 South Preston Road Prosper, Texas 75078	(469) 277-8386	Bharti Sharma
	10321 West Grand Parkway South Richmond, Texas 77407	(713) 955-2445	Mark Mize
	10321 West Grand Parkway South Richmond, Texas 77407	(713) 955-2445	Heather Mize
	1053 I-30 E Rockwall, Texas 75087	(945) 236-3063	Shilpa Khurana
	1053 I-30 E Rockwall, Texas 75087	(945) 236-3063	Sandeep Khurana
	200 University Blvd. Round Rock, Texas 78665	(512) 863-4555	Teri Evans Cypress Leaf, LLC
	355 E Basse Road San Antonio, Texas 78209	(210) 372-8344	Tim Polvado
	10670 Culebra Road San Antonio, Texas 78251	(210) 202-0630	Jim Wallace
	10670 Culebra Road San Antonio, Texas 78251	(210) 202-0630	Melodie Wallace
	22502 US Hwy 281 N. San Antonio, Texas 78258	(210) 590-4554	Daniel Doss DL Doss Corp.
	22502 US Hwy 281 N. San Antonio, Texas 78258	(210) 590-4554	Leah Kilpatrick DL Doss Corp.
	1435 N Loop 1604 W San Antonio, Texas 78258	(210) 963-7501	Jim Wallace
	1435 N Loop 1604 W San Antonio, Texas	(210) 963-7501	Melodie Wallace

	78258		
	1221 East State Hwy 21 Southlake, Texas 76092	(817) 488-2223	Kim Meyers K&L Spa Services, LLC
	1221 East State Hwy 21 Southlake, Texas 76092	(817) 488-2223	Larry Meyers K&L Spa Services, LLC
	2168 Spring Stuebner Road Spring, Texas 77389	(346) 386-6565	Larry Salguero
	16525 Lexington Blvd. Sugar Land, Texas 77479	(281) 265-0065	Jeff Flannery Premium Wellness Enterprises, LLC
	18931 University Boulevard Sugar Land, Texas 77479	(713) 955-4644	Kaushik Bhagwanji Kayacitta, LLC
	18931 University Boulevard Sugar Land, Texas 77479	(713) 955-4644	Vrunda Bhagwanji Kayacitta, LLC
	2318 SW HK Dodgen Loop Temple, Texas 76504	(254) 327-1200	Navin Sharma
	4526 Research Forest Drive The Woodlands, Texas 77381	(281) 298-5153	Brittany Rodgers Bright Solutions, LLC
	4526 Research Forest Drive The Woodlands, Texas 77381	(281) 298-5153	Tony Rodgers Bright Solutions, LLC
	26400 Kuykendahl Road The Woodlands, Texas 77389	(281) 255-6222	Brittany Rodgers Bright Solutions, LLC
	26400 Kuykendahl Road The Woodlands, Texas 77389	(281) 255-6222	Tony Rodgers Bright Solutions, LLC
	8926 S. Broadway Ave Tyler, Texas 75703	(903) 345-6051	Loree Petree Mike Petree Enterprises, Inc.

	8926 S. Broadway Ave Tyler, Texas 75703	(903) 345-6051	Michael Petree Mike Petree Enterprises, Inc.
	2816 Marketplace Drive Waco, Texas 76711	(254) 327-0580	Heath Balmos HB Therapeutic Massage LLC
	2816 Marketplace Drive Waco, Texas 76711	(254) 327-0580	Heather Balmos HB Therapeutic Massage LLC
	325 Adams Drive Weatherford, Texas 76086	(817) 809-4853	Pat West JFE Legacy, Inc.
	325 Adams Drive Weatherford, Texas 76086	(817) 809-4853	Amy Glass JFE Legacy, Inc.
	1523 West Bay Area Blvd. Webster, Texas 77598	(281) 332-9656	Larae Van De Berg Yolo Spas, LLC
	1523 West Bay Area Blvd. Webster, Texas 77598	(281) 332-9656	Steve Van De Berg Yolo Spas, LLC
Utah			
	530 West 500 South Bountiful, Utah 84010	(801) 833-0663	Greg Deamer B&G Spa Services LLC
	530 West 500 South Bountiful, Utah 84010	(801) 833-0663	Rebecca Deamer B&G Spa Services LLC
	12259 South 450 East Draper, Utah 84020	(801) 441-6041	Patrick Burton
	1851 W. Traverse Parkway B Lehi, Utah	(385) 336-3500	Lane Olsen
	944 Fort Union Blvd. Midvale, Utah 84047	(801) 559-0470	Patrick Burton DiLithium, Inc.
	325 E. University Parkway Orem, Utah 84097	(385) 715-0010	Jarom Bettinger Feel Good LLC
	875 S. North County Blvd. Pleasant Grove, Utah 84062	(385) 334-6440	Jarom Bettinger Feel Good LLC

	1140 E. Brickyard Road Salt Lake City, Utah 84106	(385) 271-0444	Karlee Gilmore
	3537 West 11400 South South Jordan, Utah 84095	(385) 955-1234	Brendan Burke
Virginia			
	5830 Kingstowne Towne Shopping Center Drive Alexandria, Virginia 22315	(703) 922-7777	Eric Danver FGG Spa, LLC
	13033 Lee Jackson Memorial Chantilly, Virginia 22033	(703) 378-8850	Eric Danver FGG Spa, LLC
	250 Merchant Walk Avenue Charlottesville, Virginia 22902	(434) 333-0706	Andrew Elsbury 41 Wellness LLC
	1224 Greenbrier Parkway Chesapeake, Virginia 23320	(757) 500-2488	Jeff Flannery Piper Associates LLC
	7204 Hancock Village Chesterfield, Virginia 23832	(804) 639-1113	Rob McBride
	7204 Hancock Village Chesterfield, Virginia 23832	(804) 639-1113	Sara McBride
	3950 University Dr. Suite 105 Fairfax, Virginia	(703) 659-8330	Bryan Wright
	6112 Arlington Blvd. Falls Church, Virginia 22044	(703) 533-0678	Eric Danver FGG Spa, LLC
	10002 Southpoint Parkway Fredericksburg, Virginia 22407	(540) 496-0088	Eric Danver

	1080 Virginia Center Parkway South Glen Allen, Virginia 23059	(804) 993-0117	Jeff Flannery Piper Associates, LLC
	6408 Trading Square Haymarket, Virginia 20169	(703) 291-4998	Lisa Limoges HS Haymarket LLC
	9902 Liberia Avenue Manassas, Virginia 20110	(703) 996-4060	James Acquah QAMA, LLC
	9902 Liberia Avenue Manassas, Virginia 20110	(703) 996-4060	John Ekrow Acquah QAMA, LLC
	9902 Liberia Avenue Manassas, Virginia 20110	(703) 996-4060	Theresa Acquah QAMA, LLC
	9902 Liberia Avenue Manassas, Virginia 20110	(703) 996-4060	Kofi Quansah QAMA, LLC
	9902 Liberia Avenue Manassas, Virginia 20110	(703) 996-4060	Michael McKenzie QAMA, LLC
	12625 Stone Village Way Midlothian, Virginia 23113	(804) 245-8181	Andrew Elsbury 40 Wellness LLC
	11160 South Lakes Drive Reston, Virginia 20191	(703) 860-3660	Eric Danver FGG Spa, LLC
	10 N Nansemond Street Richmond, Virginia 23221	(804) 227-9427	Andrew Elsbury 37 Wellness LLC
	1515 N. Parham Road Richmond, Virginia 23229	(804) 256-2248	Rob McBride
	1515 N. Parham Road Richmond, Virginia 23229	(804) 256-2248	Sara McBride

	11873 West Broad Street Henrico, Virginia 23233	(804) 360-0005	Rob McBride
	11873 West Broad Street Henrico, Virginia 23233	(804) 360-0005	Sara McBride
	1909 Landstown Centre Way Virginia Beach, Virginia 23456	(757) 866-2870	Andrew Elsbury 37 Wellness, LLC
	4485 Virginia Beach Blvd. Virginia Beach, Virginia 23462	(757) 280-5410	Andrew Elsbury
	239 Kernstown Commons Blvd Winchester, Virginia 22602	(540) 508-0536	Lisa Limoges HS Winchester LLC
	12501 Dillingham Square Woodbridge, Virginia 22192	(571) 667-6277	Chanel Grant
	12501 Dillingham Square Woodbridge, Virginia 22192	(571) 667-6277	Toya Evans
	12501 Dillingham Square Woodbridge, Virginia 22192	(571) 667-6277	Lauren Williamson
Washington			
	15600 NE 8th Street Bellevue, Washington 98008	(425) 329-7712	Andrew Nebels
	15600 NE 8th Street Bellevue, Washington 98008	(425) 329-7712	Julie Nebels
	3415 SE 192nd Avenue Vancouver, Washington 98683	(360) 203-7900	Andrew Nebels In2 Wellness NW Inc

	3415 SE 192nd Avenue Vancouver, Washington 98683	(360) 203-7900	Julie Nebels In2 Wellness NW Inc
	444 Ramsay Way Kent, Washington 98032	(253) 813-8011	Kevin Byrne H&S Washington, Inc.
	1380 Galaxy Drive NE Lacey, Washington 98516	(360) 438-3735	Guillermo Ortega HSNW Lacey LLC
	1380 Galaxy Drive NE Lacey, Washington 98516	(360) 438-3735	Astrid Andreu HSNW Lacey LLC
	1380 Galaxy Drive NE Lacey, Washington 98516	(360) 438-3735	Rogelio Reyes HSNW Lacey LLC
	1380 Galaxy Drive NE Lacey, Washington 98516	(360) 438-3735	Monica Rivas HSNW Lacey LLC
	1018 164th Street SE A- 28 Mill Creek, Washington 98012	(425) 366-7462	Dennis Williams Time For A Change, Inc.
	1018 164th Street SE A- 28 Mill Creek, Washington 98012	(425) 366-7462	Patti Williams Time For A Change, Inc.
	10418 156th Street E. Puyallup, Washington 98374	(253) 770-4840	Monica Rivas HSNW Puyallup LLC
	10418 156th Street E. Puyallup, Washington 98374	(253) 770-4840	Rogelio Reyes HSNW Puyallup LLC
	10418 156th Street E. Puyallup, Washington 98374	(253) 770-4840	Guillermo Ortega HSNW Puyallup LLC
	10418 156th Street E. Puyallup, Washington 98374	(253) 770-4840	Astrid Andreu HSNW Puyallup LLC

	7525 166th Avenue NE Redmond, Washington 98052	(425) 650-0405	Julie Nebels
	7525 166th Avenue NE Redmond, Washington 98052	(425) 650-0405	Andrew Nebels
	17100 Southcenter Parkway Tukwila, Washington 98188	(206) 575-0700	Astrid Andreu
	17100 Southcenter Parkway Tukwila, Washington 98188	(206) 575-0700	Guillermo Ortega
	17100 Southcenter Parkway Tukwila, Washington 98188	(206) 575-0700	Monica Rivares
	17100 Southcenter Parkway Tukwila, Washington 98188	(206) 575-0700	Rogelio Reyes
	3904 Bridgeport Way West University Place, Washington 98467	(253) 444-6995	Kevin Byrne H&S Washington, Inc.
	7604 NE 5th Ave Vancouver, Washington 98665	(360) 696-9449	Andrew Nebels In 2 Wellness NW Inc.
Wisconsin			
	8849 W. Sura Lane Greenfield, Wisconsin 53228	(414) 376-6656	Bobby Green 3 Kids & a Truck, Inc.
	8849 W. Sura Lane Greenfield, Wisconsin 53228	(414) 376-6656	Sylvia Barocio-Green 3 Kids & a Truck, Inc.
	N56 W15560 Silver Springs Dr Menomonee Falls, Wisconsin 53051	(262) 781-1855	Monica Bansal

	N56 W15560 Silver Springs Dr Menomonee Falls, Wisconsin 53051	(262) 781-1855	Sumit Bansal
	7956 S. Main Street Oak Creek, Wisconsin 53154	(414) 519-5286	Prabhjyot Tiwana
	7956 S. Main Street Oak Creek, Wisconsin 53154	(414) 519-5286	Gurinder Nagra and Kalwinder Nagra
	7956 S. Main Street Oak Creek, Wisconsin 53154	(414) 519-5286	Kalwinder Nagra
	2751 N. Mayfair Road Wauwatosa, Wisconsin 53222	(414) 436-0029	Bobby Green
	2751 N. Mayfair Road Wauwatosa, Wisconsin 53222	(414) 436-0029	Sylvia Barocio-Green

The following units were not yet open as of 12/31/2023:

Owner	City / State	Phone
Caroline Goldasich (I), John Goldasich (I)	Birmingham / Alabama	(205) 563-6915
Caroline Goldasich (I), John Goldasich (I)	Hoover / Alabama	(205) 563-6915
Jennifer Clayton (I), Jesse Sadowy (I)	Tbd / Arizona	(480) 248-0426
Tara McLain (I)	Apopka / Florida	(407) 748-8838
Kelli Marazzi (I), William Marazzi (I)	Boca Raton / Florida	(561) 510-5671
Crystal Ojeda (I), Marvin Ojeda (I)	Lakeland / Florida	(999) 999-9999
Kathy Hendershott (I), Michael Hendershott (I)	Cape Coral / Florida	(630) 632-0552
Jeff Hoover (I)	Gulf Breeze / Florida	(901) 409-3369
Christopher Pruitt (I), Rosie Tillan-Pruitt (I)	Jacksonville / Florida	(904)465-4409
Mark Gallarelli (I), Valerie Gallarelli (I)	Land O' Lakes / Florida	(561) 281-3309
Arlene Walker (I)	New Smyrna Beach / Florida	(770) 330-9165
Eugene O'Neill (I), Pamela O'Neill (I)	Palm Coast North / Florida	(407) 913-1624
Jeff Hoover (I)	Pensacola / Florida	(901) 409-3369
Alicia Beers (I), Rob Beers (I)	Poinciana / Florida	(407) 310-3772
Eric Danver (I)	Pompano Beach / Florida	(609) 760-2831
Eric Danver (I)	Riverview, Fl / Florida	(609) 760-2831
James Egan (I), Jasjot Paul Singh (I), Sunitee Singh (I)	Sawgrass / Florida	(704) 807-1102
Alicia Beers (I), Rob Beers (I)	St. Cloud / Florida	(407) 310-3772
Eric Danver (I)	Tampa / Florida	(609) 760-2831
Adam Johnson (I), Jill Johnson (I)	Pensacola / Florida	(904) 591-4076
Elizabeth Whitby (I)	Melbourne / Florida	(407) 575-2487
Kelli Marazzi (I), William Marazzi (I)	West Palm Beach / Florida	(561) 510-5671
Andrew Mellen (I), Kirk Sorenson (I)	Winter Garden / Florida	(407) 970-2526
Crystal Ojeda (I), Marvin Ojeda (I)	Zephyrhills / Florida	
Sharmila Vanukuru (I), Suresh Vanukuru (I)	Cumming / Georgia	(919) 649-4193
Celeste Barstis (I), Michael Barstis (I)	Honolulu / Hawaii	(202) 255-9626
Celeste Barstis (I), Michael Barstis (I)	Honolulu / Hawaii	(808) 633-8343
Saj Rizvi (I), Suneela Rizvi (I)	Barrington / Illinois	(847) 899-3555
Kathy Hendershott (I), Michael Hendershott (I)	Bolingbrook / Illinois	(630) 632-0552
Daryl Johnson (I)	Crystal Lake / Illinois	(630) 930-8751

Saj Rizvi (I), Suneela Rizvi (I)	Gurnee / Illinois	(847) 899-3555
Saj Rizvi (I), Suneela Rizvi (I)	Highland Park / Illinois	(847) 899-3555
Saj Rizvi (I), Suneela Rizvi (I)	La Grange / Illinois	(847) 899-3555
Saj Rizvi (I), Suneela Rizvi (I)	Park Ridge / Illinois	(847) 899-3555
Daryl Johnson (I)	Schaumburg / Illinois	(630) 930-8751
Saj Rizvi (I), Suneela Rizvi (I)	Skokie / Illinois	(847) 899-3555
Saj Rizvi (I), Suneela Rizvi (I)	Vernon Hills / Illinois	(847) 899-3555
Heather Sanchez (I), Richard Sanchez (I)	Fishers / Indiana	(414) 687-8009
John Paulson (I), Lisa Harkin-Paulson (I)	Olathe / Kansas	(913) 361-3100
Andrea Hicks (I), Stacey Johnston (I)	Denham Springs / Louisiana	(999) 999-9999
Adam Johnson (I), Jill Johnson (I)	Metairie / Louisiana	(904) 591-4076
Chanel Grant (I), Lauren Williamson (I), Toya Evans (I)	Bowie / Maryland	(703) 981-8763
Sharmila Vanukuru (I), Suresh Vanukuru (I)	La Plata / Maryland	(919) 649-4193
Charles Thomas III (I)	Detroit Tbd / Michigan	(586) 777-7030
James Cook (I), Lynelle Cook (I)	Grandville / Michigan	(216) 470-6450
Howard Foard (I)	Charlotte / North Carolina	(202) 369-3753
Jorge Rosende (I), Shelly Lynn Rosende (I)	Clayton / North Carolina	(919) 753-7090
Chris Jewell (I), Susan Jewell (I)	Tbd / North Carolina	(980) 226-3315
Nick Marco (I)	Jersey City / New Jersey	(732) 232-3768
Patrick Martone (I)	Holbrook / New York	(212) 555-5555
Scott Collett (I)	Cincinnati / Ohio	(513) 407-5766
Eric McKimm (I), Miranda Mckimm (I)	Fairlawn / Ohio	(330) 268-9162
Dhruvil Patel (I), Robert Crowley (I), Tapan Patel (I)	North Olmsted / Ohio	(781) 424-5133
David Schmier (I), Jeffrey Belen (I)	Perrysburg / Ohio	(999) 999-9999
David Burch (I)	Westerville / Ohio	(614) 702-8829
Autumn Iatesta (I), John Iatesta (I)	Malvern / Pennsylvania	(610) 578-2999
Eric Danver (I)	Reading / Pennsylvania	(609) 760-2831
John Beggs (I), Richard Bunchalk (I)	State College / Pennsylvania	(570) 855-4959
John Beggs (I), Richard Bunchalk (I)	Williamsport / Pennsylvania	(570) 855-4959
Chad Foster (I), Mark Reisinger (I)	Charleston / South Carolina	(843) 277-0025
Will Dennis (I)	Columbia / South Carolina	(864) 421-5690
Howard Foard (I)	Fort Mill / South Carolina	(202) 369-3753
Amy Daly (I)	Lexington / South Carolina	(803) 361-6339
Anthony Nocito (I), Traci Nocito (I)	Myrtle Beach / South Carolina	(215) 350-3535

Anthony Nocito (I), Traci Nocito (I)	Myrtle Beach / South Carolina	(215) 350-3535
Eric Danver (I)	Rock Hill / South Carolina	(609) 760-2831
Don Williams (I), Jeff Sweeney (I), Shane Smith (I)	Chattanooga / Tennessee	(321) 231-6083
Don Williams (I), Jeff Sweeney (I), Shane Smith (I)	Chattanooga / Tennessee	(321) 231-6083
Don Williams (I), Jeff Sweeney (I), Shane Smith (I)	Hixson / Tennessee	(321) 231-6083
Dale Goodrich (I), Erin Powell (I)	Nolensville / Tennessee	(804) 641-7119
Dale Goodrich (I), Erin Powell (I)	Smyrna / Tennessee	(804) 641-7119
Dale Goodrich (I), Erin Powell (I)	Spring Hill / Tennessee	(804) 641-7119
Anil Verma (I), Kaushik Bhagwanji (I), Neal Singh (I), Vrunda Bhagwanji (I)	Houston / Texas	(832) 570-0957
Anil Verma (I), Kaushik Bhagwanji (I), Neal Singh (I), Vrunda Bhagwanji (I)"	Katy / Texas	(832) 570-0957
Anil Verma (I), Kaushik Bhagwanji (I), Neal Singh (I), Vrunda Bhagwanji (I)	Pearland / Texas	(832) 570-0957
Heena Hirani (I)	Rosenberg / Texas	(832) 344-4333
Kamara Edes (I), Mark Edes (I)	Layton / Utah	(775) 846-9469
Mike Sanford (I)	Chester / Virginia	(804) 405-0283
Chanel Grant (I), Lauren Williamson (I), Toya Evans (I)	Stafford / Virginia	(703) 981-8763
Chanel Grant (I), Lauren Williamson (I), Toya Evans (I)	Sterling / Virginia	(703) 981-8763
Andrew Elsbury (I)	Virginia Beach / Virginia	(312) 806-3275

EXHIBIT F TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

Left the System in 2023

City/State	Name	Phone Number	Reason
NC Apex	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Asheville	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Charlotte SouthPark	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Concord	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Fayetteville	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Greensboro	Christiana Anthony; Eric Anthony	(336) 210-0118	Transfer
NC High Point	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Southern Pines	Rob Luce; Eric Anthony	(336) 288-2681	Transfer
NC Winston Salem	Christiana Anthony; Eric Anthony	(336) 210-0118	Transfer
SC Columbia-Harbison	Pam Hill	(336) 339-7303	Transfer
NJ Bedminster	Parul Shah; Sanjay Shah	(908) 473-7676	Transfer
FL Ocala	Valerie Gironda; Oleg Kagan	(763) 439-0231	Transfer
NJ Glassboro	Kelly Harris; Joe Harris	(856) 582-5006	Transfer
OH Dublin	Brent Long; Collene Tandy		Transfer
OH Rocky River	David Crandall	(216) 233-0553	Transfer
OH Strongsville	David Crandall	(216) 233-0553	Transfer
MA Natick	Barry Goldman; David Goldman	(914) 907-2200	Transfer; Closure
NC Raleigh-Village District	Mrs. Sharmila Vanukuru; Suresh Vanukuru	(919) 649-4193	Transfer
FL Longwood	Nicholas O'Neill	(407) 346-5525	Transfer
OH Hilliard	Richard Smith	(614) 572-9174	Transfer

GA McDonough	David Fields; Justin Hoy; Cheryl Fields	(770) 467-9643	Transfer
GA Peachtree City	David Fields; Justin Hoy; Cheryl Fields	(770) 467-9643	Transfer
PA Glen Mills	Debbie L'Heureux; Jerry L'Heureux	(610) 563-9269	Transfer
FL Carrollwood	Mike Gulledge; Debbie Gulledge	(813) 957-7131	Transfer
FL Sarasota	Mike Gulledge; Debbie Gulledge	(813) 957-7131	Transfer
FL Wesley Chapel	Mike Gulledge; Debbie Gulledge	(813) 957-7131	Transfer
NC Cary Waverly	Karen Thomas; Ken Bowen	(919) 549-1616	Transfer
PA Brookhaven	James Wright	(786)422-3625	Transfer
FL Vero Beach	Christopher McNichols; Becky McNichols	(321) 437-6430	Transfer
TX Weatherford	Frances Dinwoodie; Joni Eddy	(469) 831-4966	Transfer
OH Columbus Polaris	Christopher Amatos	(614) 451-5299	Transfer
TX Houston Rice Village	Brittany Rodgers; Tony Rodgers	(574) 876-6627	Transfer
NJ Clark	Kim Cagle; Steve Cagle	(201) 859-8444	Transfer
NJ Woodbridge	Kim Cagle; Steve Cagle	(201) 859-8444	Transfer
NY Smithtown	Ciro Ciniglio; Emma Ciniglio	(516) 427-6044	Transfer
NJ Bridgewater	Michael Schrenk; Debra Schrenk	(609) 220-8223	Transfer
NY Staten Island-Bricktown Commons	Anthony Nocito; Traci Nocito	(215) 350-3535	Transfer
FL Temple Terrace	Susan Vincik; Richard Vincik	(386) 490-6400	Transfer
TX Webster Clear Lake	Heena Esmail	(281) 650-8634	Transfer
NY Rockville Centre	Jennifer Woods; Michael Woods	(917) 478-3283	Transfer
NY Webster	Josephine Ditta; Davenel Denis	917-992-9070	Closure

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT G TO THE DISCLOSURE DOCUMENT
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. 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 Regional 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.

ITEM 3
LITIGATION

No litigation regarding our Regional Developers is required to be disclosed in this Franchise Disclosure Document.

ITEM 4
BANKRUPTCY

No bankruptcy information regarding our Regional Developers is required to be disclosed in this Franchise Disclosure Document.

We are no longer offering a Regional Developer program. The following franchisees serve as Regional Developers under existing agreements with us:

LIST OF REGIONAL DEVELOPERS
OHIO
John Marco, Nick Marco and Tara Bogota 1358 Hooper Ave, Toms River, NJ 08753 (732) 963-1398

LIST OF AREA DEVELOPERS
MISSISSIPPI, LOUISIANA, AND NEW MEXICO
Robert Beers 767 Near Creek Circle Winter Springs, Florida 32708 407-343-0035
TENNESSEE
Don Williams 1170 Tree Swallow Drive #328 Winter Springs FL 32708 352-978-7820

EXHIBIT H TO THE DISCLOSURE DOCUMENT
LIST OF REGIONAL DEVELOPERS WHO HAVE LEFT THE SYSTEM IN 2023

None.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT I TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF CALIFORNIA**

CALIFORNIA APPENDIX

1. California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer or non-renewal of a franchise. If the Franchise Agreement contains provisions that are inconsistent with the law, the law will control.
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 agreement. These provisions may not be enforceable under California law.
4. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.
5. 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.
6. The franchise agreement requires binding arbitration. The arbitration will occur in Philadelphia, Pennsylvania with the costs being borne by the franchisee and franchisor. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5 Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
7. The Franchise Agreement requires application of the laws of Pennsylvania. This provision may not be enforceable under California law.
8. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).
9. We have secured a surety bond in the amount of \$158,000.00 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 California Department of Financial Protection and Innovation.
10. 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.
11. 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.

12. **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.**
13. 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.
14. **No disclaimer, questionnaire, clause, or statement signed by a franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. Any statements or representations signed by a franchisee purporting to understand any fact or its legal effect shall be deemed made only based upon the franchisee's understanding of the law and facts as of the time of the franchisee's investment decision. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.**
15. The highest interest rate allowed by law for Late Payments in the State of California is 10% annually.
16. 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.
17. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.
18. California's Franchise Investment Law (Corporations Code Sections 31512 and 31512.1) states that any provision of a franchise agreement or related document requiring the franchisee to waive specific provisions of the law is contrary to public policy and is void and unenforceable. The law also prohibits a franchisor from disclaiming or denying (i) representations it, its employees, or its agents make to you, (ii) your ability to rely on any representations it makes to you, or (iii) any violations of the law.

**ADDENDUM TO HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF HAWAII**

HAWAII APPENDIX

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 OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE. THIS OFFERING CIRCULAR 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 THE HAND AND STONE FRANCHISE LLC
DISCLOSURE DOCUMENT AND FRANCHISE AGREEMENT
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. Section 23.1 of the Franchise Agreement and Item 23 of the Disclosure Document are hereby amended to reflect Illinois minimum disclosure period of 14 calendar days as required by Section 5(2) of the Act.

3. 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.

4. Any releases that the Franchisor requests the Franchisee to sign must conform with Section 41 of the Act.

5. The Franchise Agreement provides that the law of a forum outside of Illinois applies. However, the foregoing choice of law clause 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. Accordingly, Items 17(v) and (w) are amended accordingly.

6. Section 22.6 of the Franchise Agreement is hereby amended in accordance with Section “1” above.

7. 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.

8. The Franchise Agreement is hereby amended to comply with Section 41, Waivers, of the Act.

9. 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.”

10. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

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 AND FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA**

1. 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.
2. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).
3. 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.
4. Under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.
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.

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 and for its Franchise Agreement. The amendments to the Franchise Agreement included in this addendum have been agreed to by the parties.

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. The Franchisee Disclosure Acknowledgment Statement, which is Exhibit K to the Franchise Disclosure Document, is amended to state that all representations requiring prospective franchisees to assent to a release, 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.

5. 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.

6. 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.

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.

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.

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.

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.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed and delivered this Addendum dated this _____ day of _____, 20____.

ATTEST

Witness

Witness

HAND AND STONE FRANCHISE LLC

By: _____

Name: _____

Title: _____

FRANCHISEE:

**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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, franchisee has the right to request an escrow arrangement.

Any questions regarding this notice should be directed to:

Consumer Protection Division
Attn: Franchise Section
525 W. Ottawa Street
G. Mennen Williams Building, 1st Floor
Lansing, MI 48933

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 AND FRANCHISE AGREEMENT
FOR THE STATE OF MINNESOTA**

This addendum to the Disclosure Document is agreed to this ____ day of _____, 20__, and effectively amends and revises said Disclosure Document and Franchise Agreement as follows:

1. Item 13 of the Disclosure Document and Section 22.1 of the Franchise Agreement are 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 and Section 16.1 of the Franchise Agreement are 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 and Section 22.6 of the Franchise Agreement are 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 and Section 4.2 of the Franchise Agreement are 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. Section 22.5 of the Franchise Agreement is hereby deleted in accordance with Minn. Rule 2860.4400J which prohibits waiver of a jury trial.

6. Section 22.3 of the Franchise Agreement regarding Limitations of Claims is hereby amended to comply with Minn. Stat. §80C.17, Subd. 5.

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.”

8. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

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 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. All references made herein to an “Disclosure Document” shall be replaced with the term “Offering Prospectus” as used under New York Law.

2. The Disclosure Document Cover Page is amended as follows:

- **REGISTRATION OF THIS FRANCHISE BY New York STATE DOES NOT MEAN THAT THE STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE NEW YORK STATE DEPARTMENT OF LAW, 120 BROADWAY, NEW YORK, NEW YORK 10271-0332. INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION.**
- **THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.**

3. ITEM 3 is amended by the addition of the following language:

- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against them alleging a felony; a violation of a franchise, antitrust or securities law; fraud, embezzlement, fraudulent conversion; misappropriation of property; unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither franchisor nor any person identified in ITEM 2 has any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.
- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 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 held liable in a civil action by final judgment or been the subject of a material complaint or other legal proceeding involving violation of any franchise law, antifraud or securities law; fraud, embezzlement, fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

- Except as otherwise disclosed in Item 3, neither franchisor nor any person identified in ITEM 2 is subject to any injunctive or restrictive order or decree relating to the franchises, or any Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, as a result of a concluded or pending action or proceeding brought by a public agency.

4. ITEM 4 is amended to state that:

- Except as otherwise disclosed in Item 4, neither the franchisor, nor its predecessor, officers or general partner of the franchisor has, during the ten (10) year period immediately before the date of the Disclosure Document, has: (a) filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the Bankruptcy Code; (c) was a principal officer of any company or a general partner in any partnership that either filed as a debtor (or had filed against it) a petition to start action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the Bankruptcy Code during or within one (1) year after the officer or general partner of the franchisor held this position in the company or partnership.

5. ITEM 5 of the Disclosure Document is amended to add the following:

- The Franchise Fee will be used to defray franchisor's costs in obtaining and screening franchisees, providing training, training materials and assisting in opening the Franchised Business for business.

6. ITEMS 6 and 11 of the Disclosure Document are amended to add the following:

- The franchisee will not be required to indemnify franchisor for any liability imposed on franchisor as a result of franchisee's reliance upon or use of procedures or products which were required by franchisor, if such procedures or products were utilized by franchisee in the manner required by franchisor.

7. ITEM 17 of the Disclosure Document is amended to add the following:

- No general release shall be required as a condition of renewal, termination and/or transfer which is intended to exclude claims arising under the New York General Business Law, Article 3, Sections 687.4 and 687.5.
- ITEM 17(d) is amended to provide that you may terminate the Agreement on any grounds available by law.

- ITEM 17(j) is amended to state, that no assignment will be made except to an assignee who, in the good faith judgment of Franchisor, is able to assume our obligations under the Agreement.
- ITEM 17(w) is amended to state that New York Law governs any cause of action which arises under the New York General Business Law, Article 33, Section 680-695.

8. Franchisor represents that this Disclosure Document does not knowingly omit anything or contain any untrue statements of a material fact.

ATTEST

HAND AND STONE FRANCHISE LLC

Witness

By:_____
Name:_____
Title:_____

FRANCHISEE:

Witness

**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. Each provision of this Amendment shall be effective only to the extent that the jurisdictional requirements of the General Business Law of the State of New York, Sections 680-695, with respect to each such provision, are met independent of this Amendment. This Amendment shall have no force or effect if such jurisdictional requirements are not met.
3. 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."
4. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment to the Franchise Agreement and Multi-Unit Agreement in duplicate on the date indicated below.

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 RHODE ISLAND**

The following amends Item 17 and is required to be included within the Disclosure Document and shall be deemed to supersede the language in the Disclosure Document itself:

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 of this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

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 AND FRANCHISE AGREEMENT AND 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 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."

4. Article 23 of the Franchise Agreement is amended to delete Sections 23.1, 23.3, 23.5, and 23.6.

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 AND FRANCHISE AGREEMENT AS REQUIRED BY THE STATE
OF WASHINGTON

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

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration 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.

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

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

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 provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

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. The undersigned does hereby acknowledge receipt of this addendum.

Item 3 – 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.

Item 5

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.

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.”

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.”

Section 20.3 of the Franchise Agreement is amended such that franchisees have no obligation to indemnify or hold harmless an indemnified party for losses to the extent that they are determined to have been caused solely and directly by the indemnified party’s gross negligence, willful misconduct, strict liability, or fraud.

Section 21.4 of the Franchise Agreement is amended as follows:

Whenever this Agreement requires the prior approval or consent of Franchisor, 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 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.

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 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.”

Exhibit G to the Franchise Agreement does not apply in Washington. Exhibit G is amended to include the following statement: **DO NOT SIGN THIS ACKNOWLEDGMENT STATEMENT IF YOU ARE A WASHINGTON RESIDENT OR THE BUSINESS IS TO BE OPERATED IN THE STATE OF WASHINGTON.**

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 J 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 K TO THE DISCLOSURE DOCUMENT
ARCHITECTURAL SERVICES AGREEMENT**



Date

Franchisee
Company
Address
City, State Zip

RE: Proposal for Architectural [and Engineering Services]

Hand and Stone, Spa Location

Dear Franchisee,

Thank you for the opportunity for HS Design, LLC (referred to as “HS Design” or the “Architect”) to provide you with a proposal for Architectural [and Engineering] Services for your upcoming spa in City, State, USA. By being an in-house architectural 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 ABC Shopping Center in City, State, USA. The space is approximately 2,000-4,000 sf.

The layout of the spa will be shown as the Concept Plan and will include the following:

- [x] Treatment Rooms
- 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 alternations are anticipated except for a new store sign.

Electrical service includes 480/277v and/or 120/208v panels.

HVAC service is a heat pump system or a rooftop unit.

Plumbing services includes a cold-water line and a sanitary sewer.

Fire Suppression system will be added/modified to accommodate the spa layout.

Fire Alarm system will be added/modified to accommodate the spa layout.

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 \$1,500 plus direct reimbursement for travel expenses. See *Reimbursable Expenses*.

Construction Documents:

Once the Concept Plan is complete and has been approved by you, the Client and Hand & Stone Franchise LLC, drawings will proceed to the Construction Document phase. Any significant changes made to the base plan after approval is 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 be limited to providing notes regarding the ductwork design. Exhaust fans will be provided for the toilet rooms. The HVAC contractor will be responsible for final design of the ductwork.

OR

Where required, HVAC design will include design of the roof top units and ductwork. Exhaust fans will be provided for the toilet rooms. Structural supports for the units will be indicated.

Plumbing design is limited to water and sanitary riser diagram and plans.

Electrical design is limited to placement of lighting, receptacles, switches and other power requirements. Detailed circuiting to the existing electrical panel is not included. If the code official requires an electrical panel schedule, we can provide this as additional services for the fee stated herein.

OR

Where required, electrical design will include new panels, lighting, receptacles, switches and other power requirements.

Electrical fault current calculations or energy calculations will be provided if required by the city or authority having jurisdiction.

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, Nick Malone, can provide assistance 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 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.

Permit Expediting Services:

HS Design can coordinate permit expediting services (highly recommended) on your behalf to help streamline the project. In many cases, this can move your Grand Opening up by weeks! These fees range from \$900 to \$2,250 for most locations.

Base Project Fees:

The fees for the services listed above are as follows:

Architectural Services (Schematic Design and Construction Documents)	\$x,xxx
<u>Engineering Services and Energy Calculations (Construction Documents)</u>	<u>\$x,xxx</u>
Total	\$xx,xxx

Retainer:

An initial retainer 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 costs. *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.
- 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.
- 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

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:	< 3-5 business days from contract execution
Construction Documents (check set):	max 20 business days from Schematic Design approvals
Permit sets ready to ship:	< 5 business days from receipt of final Client and Landlord comments

Respectfully Submitted:

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 Architect prior to beginning work. The 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 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 Architect:

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. The 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 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 L 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.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

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)

EXHIBIT M TO THE DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

NOTICE FOR PROSPECTIVE FRANCHISEES WHO RESIDE IN, OR WHO INTEND TO OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES : CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI (EACH A REGULATED STATE) : FOR PROSPECTIVE FRANCHISEES THAT RESIDE IN OR ARE SEEKING TO OPERATE THE FRANCHISED BUSINESS IN ANY REGULATED STATE, DO NOT COMPLETE THIS QUESTIONNAIRE OR TO RESPOND TO ANY OF THE QUESTIONS CONTAINED IN THIS QUESTIONNAIRE.

As you know, Hand and Stone Franchise LLC (the “Franchisor”) and you are preparing to enter into a franchise agreement (the “Franchise Agreement”) for the establishment and operation of a Hand and Stone Massage Spa Business (the “Franchised Business”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor (“Broker”) that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes _____ No _____

2. I had my first face-to-face meeting with a Franchisor representative on _____, 20____.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

Yes _____ No _____

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes _____ No _____

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes _____ No _____

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

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes _____ No _____

If No, do you wish to have more time to do so?

Yes _____ No _____

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes _____ No _____

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any

particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes _____ No _____

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes _____ No _____

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes _____ No _____

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes _____ No _____

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? _____

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

I signed the Franchise Agreement and Addendum (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or

(iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Acknowledged this ____ day of _____, 20____.

Sign here if you are taking the franchise as an

INDIVIDUAL:

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

Signature

Print Name_____

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	Pending
Florida	Effective
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Effective
Minnesota	Pending
New York	Pending
North Dakota	Not Registered
Rhode Island	Pending
South Dakota	Pending
Utah	Effective
Virginia	Pending
Washington	Pending
Wisconsin	Pending

In all other states, the effective date of this Franchise Disclosure Document is the Issuance Date is April 12, 2024.

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 and Rhode Island require 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 12, 2024

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: _____
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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 12, 2024, 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 – Collateral Assignment and Assumption of Lease

Exhibit E – Acknowledgment of Telephone Number Ownership

Exhibit F – ACH Agreement
Exhibit G – Franchisee Disclosure Acknowledgment Statement
Exhibit E – List of Active Franchise Owners
Exhibit F – List of Franchisees Who Have Left the System
Exhibit G – List of Regional Developers
Exhibit H – List of Regional Developers Who Have Left the System
Exhibit I – State Specific Addenda
Exhibit J – Software Sublicense Agreement
Exhibit K – Architectural Services Agreement
Exhibit L - Sample General Release
Exhibit M – Franchisee Disclosure Acknowledgment Statement

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

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Issuance date: April 12, 2024

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
Trevose, 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 April 12, 2024, 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

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(Do not leave blank)

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Print Name

Date: _____
(Do not leave blank)

Signature of Prospective Franchisee

Print Name

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