FRANCHISE DISCLOSURE DOCUMENT

Special Spa Franchising, Inc.
A California Corporation
Ocean View Estates
7051 Ellis Avenue, Suite 19
Huntington CA 92648
Tel: (714) 312-9200
massagebyangels@yahoo.com
www.angelspausa.com

The franchise that we offer is for Angels Spa, a business that provides professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments.

The estimated initial investment necessary to begin operation of an Angels Spa Franchised Business under a franchise agreement rangers from $98,650 to $329,100. This includes $29,000 that must be paid to the franchisor or its affiliates. The initial investment necessary to begin operation of an Angels Spa Franchised Business under a multi-unit development agreement depends on the number of Spas that you are authorized to develop and ranges from $118,650 to $419,100. This includes $29,000 that must be paid to the franchisor or its affiliates for your first Spa and a development fee of $20,000 for each additional Spa that you are authorized to establish under the multi-unit development agreement.

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

You may wish to receive your disclosure document in another form that is more convenient for you. To discuss the availability of disclosures in different forms, contact Truc Hien Tran Le, Special Spa Franchising, Inc., Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire 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 be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: April 13, 2021

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 G and H.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit D 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 Angels 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 franchisor have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be an Angels Spa franchisee?	Item 20 or Exhibits G and H 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 and Development Agreement require you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in California. 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 California than in your own state.

2. **Governing Law**. The Franchise Agreement and Development Agreement states that California law governs the agreement, and this law may not provide the same protections and benefits as local law. You may want to compare these laws.

3. **Spousal Guarantee**. Your spouse must sign a document that makes your spouse liable for all financial obligations under the Franchise Agreement and Development Agreement, even if your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets (perhaps including your house) at risk if your franchise fails.

4. **Early Stage Franchisor**. The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise system with longer operating history.

5. **Investment Exceeds Equity**. The franchisee will be required to make an estimated initial investment ranging from $98,650 to $329,100. This amount exceeds the franchisor's stockholders equity as of December 31, 2020 is $2,500.

6. **Other Risks**. There may be other risks concerning this franchise.

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.

NOTICE 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.

The Michigan Franchise Law states in Sec. 445.1527, Sec.27 that each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel, which deprives a franchisee of rights and protections, provided in 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 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 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside 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) The 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 sub-franchisor.

(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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
CONSUMER PROTECTION DIVISION
Attention: Antitrust & Franchise
G. Mennen Williams Building, 1st Floor
525 West Ottawa
Lansing, Michigan 48909
Telephone Number: (517) 373-7117

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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

Special Spa Franchising, Inc., franchisor of the Angels Spa franchise is referred to in this franchise disclosure document (the "Disclosure Document") as "we", "us" or "our" as the context requires. A franchisee is referred to in this Disclosure Document as "you" and "your" as the context requires. If you are a corporation, partnership or other legal entity (a "Corporate Entity"), our Franchise Agreement will also apply to your individual owners, shareholders, members, officers, directors and other principals.

The Franchisor

We are a California Corporation established on January 28, 2021. Our business address is Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648. We conduct business under our corporate name Special Spa Franchising, Inc. and under the Angels Spa trade name. Our business is operating the Angels Spa franchise system and granting franchises to third parties like you to develop and operate a Spa. We have first begun offering franchises as of the Issuance Date of this Disclosure Document. Other than as discussed above, we are not in any other business, we have not conducted business in any other line of business and we have not offered or sold franchises in any other line of business. We do not have any predecessors and we do not have any parent company. Our registered agents for service of process are disclosed in Exhibit B of this Disclosure Document.

The Franchised Business

We license a system (the "System") for the development and operation of an Angels Spa (each referred to as a "Spa" or the "Franchised Business") that offers and sells, from a retail store, professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other products and services that we may designate and that we may modify from time to time (the "System Products and Services"). The System also requires, as designated by us, your exclusive use of certain inventory, products, supplies and equipment including, beauty, skincare and branded merchandise designated by us (collectively, the "System Supplies") and the operation of your Spa in conformity with the specifications, procedures, and requirements that we designate in our confidential operations manual and other proprietary manuals that we may designate and modify from time to time (collectively, the "Manuals"). The System is presently identified by the Angels Spa trademark, logo and such other trade-names and trademarks as we may designate, modify and adopt from time to time for use in the System and as same may or may not be registered with the United States Patent and Trademark Office (collectively referred to as the "Licensed Marks").

Franchise Agreement

You may enter into a Franchise Agreement in the form attached to this Disclosure Document as Exhibit E to develop and operate one Spa from a single fixed location (the "Spa Location") within a designated territory in conformity with the requirements of our System as designated by us and, as contained in the Manuals and as our System requirements and Manuals may be modified by us from time to time. A Spa Location will, ordinarily, be located in high traffic retail commercial locations, including strip shopping centers. If you do not have an approved site for your Spa Location you must select a site in accordance with the Franchise Agreement and you must obtain our written approval of the Spa Location.

Development Agreement

If we approve you as a multi-unit franchisee, you must sign a Franchise Agreement for your first Spa and a multi-unit development agreement (the "Development Agreement") in the form attached as Exhibit F for the development and operation of additional Spas. The total number of Spas that you may develop under a Development Agreement will vary from three (3) Spas to ten (10) Spas, as determined and negotiated at the time of signing the Development Agreement. Each Spa must be developed by you within a designated geographic area (the "Development Area"), and your Development Agreement will include a development schedule (the "Development Schedule") containing a deadline by which you must develop and open each

Spa. Your Development Schedule may vary depending on your Development Area and the number of Spas that you are required to develop. Upon establishing each Spa under the Development Schedule you will be required to sign our then current individual unit franchise agreement, which may differ from the current Franchise Agreement included with this Disclosure Document.

Unless otherwise specified, the information contained in this Disclosure Document applies to single unit development under a Franchise Agreement and multi-unit development under a Development Agreement. If you are not contracting for the right to develop multiple Spas, you will not be signing a Development Agreement.

Market and Competition

The general market for the services and products offered by your Spa typically includes members of the general public. The services and products offered by a Spa are not seasonal in nature. The market for personal wellbeing and spa services and products is extremely competitive. Your Spa will directly compete with other businesses that offer personal wellbeing and spa services and products. Your competitors will include spas, health retreats, resorts, locally owned independent businesses, regional and national companies and franchise systems that offer and provide personal wellbeing and spa services and products, including facial, nail, therapeutic massage, body and skin care services and treatments.

Industry Specific Laws

Many states require massage therapists, aestheticians and/or the Spa to be licensed, certified or registered. You must ensure that your Spa and the therapists and aestheticians who work in your Spa comply with these requirements. You must ensure that only licensed therapists and aestheticians perform any services which a license or specialized training is required. You must be aware of and comply with all regulatory requirements to which massage therapy business in your state or municipality may he subject, in addition to our policies contained in the Manuals, the purpose of which is the prevention and handling of inappropriate conduct during massage therapy sessions. Failure to strictly comply with these laws, regulations, or policies may put your customers at risk and/or increase your risk of litigation associated with inappropriate conduct during massage therapy sessions.

Many states and local jurisdictions have laws, rules, and regulations that may apply to your Spa, including: rules and regulations related to state escheat; the construction, design and maintenance of your Spa; construction, zoning, health and safety requirements; employee practices; equal access for the disabled including, requirements imposed by The Americans with Disability Act of 1990; and numerous state equivalent laws that may affect the operation, construction and location requirements of your Spa. Some state or local laws may require that you file and post a bond if your Spa is considered to be a “health spa” or “health club” and regulate other aspects of your Spa, such as agreements with customers. You should investigate and evaluate how these regulations and requirements and other regulations and requirements apply in the geographic where you will be locating your Spa.

You will also be subject to federal and state laws and regulations that apply to businesses generally, including rules and regulations involving employment practices, wage and hour laws, immigration and employment laws. You must review federal minimum wage and overtime laws, as well as similar laws within your state to ensure compliance with labor and wage laws currently in existence and those that may later be adopted. You should consult with your attorney concerning these and other local laws, rules and regulations that may affect the operation of your Spa.

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ITEM 2
BUSINESS EXPERIENCE

Truc Hien Tran Le, Chief Executive Officer
Truc Hien Tran Le is our founder and Chief Executive Officer and has served in this role since our formation. From 2006 to present, Truc Hien Tran Le has operated a business similar to the Franchised Business.

Donald Sanchez, Vice President
Donald Sanchez is our Vice President and has served in this role since our formation. From 2006 to present, Donald Sanchez has operated a business similar to the Franchised Business.

ITEM 3
LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4
BANKRUPTCY

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

ITEM 5
INITIAL FEES

Franchise Agreement
When you sign a Franchise Agreement you must pay us a non-refundable initial franchise fee (the "Initial Franchise Fee") of $29,000. The Initial Franchise Fee is fully earned by us upon payment, represents consideration for a designated territory as referenced in Item 12 of this Disclosure Document and, is used in part to defray our costs for providing initial training and other services. The method we use to calculate the Initial Franchise Fee is uniform for all franchises that we offer through this Disclosure Document.

Development Agreement
Under a Development Agreement the minimum number of Spas that you will be authorized to develop is three (3) and the maximum number of Spas that you will be authorized to develop is ten (10). If you sign a Development Agreement you must pay us a fixed non-refundable development area fee of Ten Thousand Dollars ($10,000) for each Spa (over and above the first Spa authorized by the Franchise Agreement) that you will be authorized to develop under the Development Agreement (the "Development Area Fee"). The Development Area Fee that you must pay to us is in addition to the Initial Franchise Fee of $29,000 that you must pay to us at the time of signing the Franchise Agreement for your first Spa. At the time of signing the franchise agreement for each additional Spa (over and above your first Spa) that you develop under the Development Agreement, you will pay us an additional initial franchise fee of $10,000 at the time of signing the franchise agreement for each additional Spa that you develop under the Development Area.

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ITEM 6
OTHER FEES

Type of Fee (Note 1)	**Amount**	**Due Date**	**Remarks**
Royalty (Notes 2 and 3)	4% of Gross Sales	Due weekly on the Thursday of each week for the preceding week	This payment will be debited automatically from your business bank through ACH. See, Notes 2 and 3.
Brand Development Fund (Note 4)	Up to 2% of Gross Sales.	Due weekly on the Thursday of each week for the preceding week	This payment will be debited automatically from your business bank through ACH. See, Note 4.
Local Marketing (Note 5)	Minimum of 2% of monthly Gross Sale.	Monthly, as incurred by you and negotiated with local suppliers	You must spend a minimum of 2% of Gross Sales per month on pre-approved business development and marketing within your designated territory. See, Note 5.
Grand Opening Marketing (Note 6)	$4,000	Prior to opening	Prior to the opening of your Spa you must market and promote its grand-opening. You must submit to us your grand-opening marketing plan for our approval prior to opening. See, Note 6.
Local and Regional Advertising Cooperatives (Note 7)	Established by cooperative members	As determined by cooperative members	Established by cooperative members. See, Note 7.
Technology (Note 8)	$100 to $200 per month.	Due monthly on the 5th day of every month for the preceding month	This payment will be debited automatically from your business bank through ACH. See, Note 8.
Initial Training for Additional Employees	Our then current training fee, plus expenses. Our current fee is $500 per person per day	On demand	Under our pre-opening initial training program, we will train you or your managing owner and one of your designated managers at no additional charge. If you request that we provide our initial training program to additional managers, either before or after the opening of your Spa, you must pay our then current training fee. Initial training is conducted at facilities that we designate and you must pay for all

Type of Fee (Note 1)	Amount	Due Date	Remarks
			other expenses of your trainees, including salary, travel and accommodations.
Supplemental On-Site Training	Our then current daily rate per trainer, plus expenses. There is a two-day minimum for assistance. Our current daily trainer rate is $300 per day	On demand	Following participation in our initial training program and the opening of your Spa, if you request that we provide training or assistance on-site at your Spa Location, you must pay our then current fee for each trainer. You must also reimburse us for our trainer(s) expenses including travel and accommodations.
Annual Conference (Note 9)	Varies	On demand, prior to conference	This payment will be debited automatically from your business bank through ACH. The fee charged to you for attendance at the annual conference shall not exceed $750. See, Note 9.
Royalty Payment Late Charge	The lesser of 5% per month of any late royalty payment or $50	On demand	Applies to past due payments of royalty fees.
Royalty Reporting Charge	$50 per occurrence	On demand	If you fail to timely submit to us a complete and accurate royalty report due weekly on the Thursday of each week for the preceding accounting week, you will be required to pay a royalty reporting charge.
Financial Reporting Late Charge	$100 per occurrence	On demand	If you fail to timely submit to us your unaudited monthly profit and loss statement and balance sheet within 60 days after the end of each month, you will be required to pay a fee of $100.00.
Interest Charges	The lesser of 18% per annum or the maximum legal rate allowable by the State in which the Franchised Business is located	On demand	Applies to past due payments of royalty fees, brand development fund fees, advertising fund fees and all other fees, charges, interest and payments due to us from you. Interest begins to accrue on the date

Type of Fee (Note 1)	Amount	Due Date	Remarks
			that any payment is due from you to us.
Review and Audit	Actual costs	On receipt of invoice	You must pay to us the costs that we incur in reviewing and auditing your records if the review and/or audit performed by us results in a finding that you failed to comply with the terms of your Franchise Agreement. These fees include the actual costs that we incur including, fees for accountants, attorneys, administrative staff, travel, meals and lodging expenses.
Transfer	$15,000	Prior to the date of transfer	All transfers are subject to our approval and require the transferee's satisfaction of our training requirements.
Renewal	$7,000	Upon signing renewal franchise agreement	If we approve renewal of your Franchise Agreement, at the time of renewal, you will be required to sign our then current Franchise Agreement and pay the renewal fee.
Collection Costs and Attorney Fees	Amount incurred by us to collect unpaid royalty fees and other fees or sums due from you to us	On demand	Includes fees and expenses incurred by us, including legal demands and litigation, related to your breach of the Franchise Agreement, and including attorney fees, deposition expenses, expert witness fees, accounting fees and filing fees.
NSF Check Fee of Failed Electronic Fund Transfer	5% of amount or $50 whichever is greater or maximum fee allowed by law	On demand	Applies to payment of Royalty Fees and Advertising Contributions and any other payments to us.
General Non-compliance	Amount of actual fees, costs and/or expenses that we incur in connection with your non-performance of your obligations under the Franchise Agreement. Includes attorney fees.	Within 14 days of our invoice	You must pay to us and reimburse us for all costs, fees and expenses that we incur as a result of or in connection with your breach of the Franchise Agreement. This includes legal, mediation, and arbitration fees, expenses and costs that we incur and legal fees that we incur with outside legal counsel and costs associated with services and work

Type of Fee (Note 1)	Amount	Due Date	Remarks
			performed by our own in-house legal staff.
Product or Supplier Non-Compliance	$1,000 per day and in addition plus amount of fees, costs and/or expenses that we incur in connection with your nonperformance of your obligations under the Franchise Agreement	Within 14 days of our invoice	If you use an unauthorized product or service in the operation of your Spa or you sell an unauthorized product or service, in addition to other remedies, we will charge you a fee of $1,000 per day for each day that the violation occurs. We will charge you addition expenses and fees, including attorney fees, that we incur.
Insurance Review	$1,000	On demand	You must pay this fee to us or the party we designate if purchase the insurance for your Spa from an insurance broker or insurance carrier other than the broker and carrier that we designate as our preferred insurance provider.
Supplier Review	Our actual costs to review a supplier suggested by you	Within 14 days of invoice	As determined by us, in our reasonable business judgment. We may require your submission of samples and specifications.

Explanatory Notes to Item 6

Note 1: Type of Fee / Fees Payable – The above table describes fees and payments that you must pay to us or our affiliates, or which we or our affiliates may impose or collect on behalf of a third party. All fees are recurring unless noted. If you enter into a Development Agreement or open multiple Spas then these fees shall apply, respectively, to each and every Spa. All fees are payable to us unless otherwise noted and are not refundable unless otherwise noted. All fees payable to us shall be payable subject to our specification and instruction, including, our election to have all fees automatically drafted from your business bank account or automatically debited or charged to your business bank account. You will be required to sign an ACH authorization form (Franchise Agreement, Exhibit 11) permitting us to electronically debit your designated bank account for payment of all fees payable to us (other than the Initial Franchise Fee) as well as any amount owed to us or our affiliated for goods or services. You must deposit all Gross Sales of your Spa into the designated bank accounts that are subject to our ACH authorization. You must install and use, at your expense, the pre-authorized payment, point of sale, automatic payment, automated banking, electronic debit and/or electronic funds transfer systems that we designate and require in the operation of your Spa. You must pay all service charges and fees charged to you by your bank so that we may electronically debit your bank account.

Note 2: Royalty Fees – You must pay a continuing royalty fee equal to Four Percent (4%) of your weekly Gross Sales (defined below). If any federal, state or local tax other than an income tax is imposed on the Royalty Fee which we cannot directly and, dollar for dollar, offset against taxes required to be paid under

any applicable federal or state laws, you must compensate us in the manner prescribed by us so that the net amount or net effective rate received by us is not less than that which has been established by the Franchise Agreement and which was due to us on the effective date of the Franchise Agreement.

Note 3: Gross Sales – "Gross Sales" means the total dollar sales from all business and customers of your Spa and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by you in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by you or any other person or corporate entity from business conducted or which started in, on, from or through your Spa and/or your Spa Location, whether such business is conducted in compliance with or in violation of the terms of the Franchise Agreement. Gross sales include the total gross amount of revenues and sales from whatever source derived from and/or derived by you (including any person and/or corporate entity acting on your behalf) from business conducted within and/or outside your designated territory that is related to your Spa and/or a competitive business located and/or operated at your Spa Location, within your designated territory, outside your designated territory, and/or otherwise. Gross sales do not include sales or use taxes collected by you.

Note 4: Brand Development Fund – You must pay a continuing brand development fund fee in an amount up to two (2%) percent of your weekly Gross Sales.

Note 5: Local Marketing – On a monthly and on-going basis are required to spend not less than two (2%) percent of your monthly Gross Sales toward the marketing and promotion of your Spa. Your local marketing efforts and expenditures must be targeted to a market comprised of your designated territory and may only include media, networking, business development, public relations and other forms of business development that we designate and pre-approve.

Note 6: Grand Opening Marketing – You must spend not less than $4,000 toward the marketing and promotion of the grand opening of your Spa. Your marketing must be pre-approved by us.

Note 7: Local and Regional Advertising Cooperatives – If two or more Spas are operating within a market designated by us we reserve the right to establish and require your participation in a local or regional advertising cooperative within a geographic area, region, or market designated by us. If a local or regional advertising cooperative is established within a market that includes your Spa, you will be required to participate in the cooperative and make on-going payments to the cooperative in such amounts and subject to such caps as established by the cooperative members. We anticipate that each Spa franchisee will have one vote for each Spa location located within the cooperative market and that cooperative decisions shall be made based on approval of a simple majority vote based on a quorum of not less than twenty-five percent of the designated cooperative members. Contributions to a local or regional cooperative that we designate shall count toward the satisfaction of your local marketing obligations and shall not the amount of your monthly minimum local marketing obligation.

Note 8: Technology Fee – The continuing monthly technology fee is an administrative fee and is not associated with any particular service. Currently we do not charge a monthly Technology Fee but reserve the right to implement a monthly technology fee not exceeding Two Hundred ($200) Dollars per month.

Note 9: Annual Conference – If we establish a franchisee annual conference you or your Managing Owner must attend the conference on the dates and at the location that we designate. You will be responsible for all travel, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance. We may charge you an Annual Conference fee in an amount not exceeding Seven Hundred and Fifty ($750) Dollars. We reserve the right to waive the Annual Conference Fee for those franchisees that attend the conference and to charge the Annual Conference Fee to those franchisees who fail to attend.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is Made
Initial Franchise Fee (Note 2)	$29,000	Lump sum	When you sign the Franchise Agreement	Us
Construction and Leasehold Improvements (Note 3)	$20,000 - $100,000	Varies	Prior to opening	Approved Third party suppliers and vendors, subject to our specifications
Furniture, Fixtures and Equipment (Note 4)	$10,000 - $100,000	As billed	As incurred	Approved Third party suppliers and vendors, subject to our specifications
Signs (Note 5)	$3,000 - $10,000	As billed	Before opening	Approved Third party suppliers and vendors, subject to our specifications
Computer, Software and Point of Sales System (Note 6)	$3,000 - $5,000	As billed	As incurred	Approved Third party suppliers and vendors, subject to our specifications
Initial Inventory (Note 7)	$1,000 - $5,000	As billed	Before opening	Us, our affiliate, or third party suppliers and vendors, subject to our specifications
Prepaid Rent and Lease Deposits (Note 8)	$10,000 - $25,000	Lump sum	Varies	Third party landlord
Utility Deposits (Note 9)	$500 - $1,500	As billed	Before opening	Utility companies
Insurance Deposits (Note 10)	$1,000 - $2,000	As billed	Varies	Insurance companies
Travel for Initial Training (Note 11)	$3,500 - $5,000	As incurred	Before opening	Third party

Type of Expenditure (Note 1)	Amount	Method of Payment	When Due	To Whom Payment is Made
Grand Opening Marketing Expense (Note 12)	$4,000	In accordance with your grand opening marketing plan	As incurred but prior to opening	Approved Third party suppliers and vendors, subject to our specifications and approval
Professional Fees (Note 13)	$3,000 - $7,500	As billed	Before opening	Third parties, including attorneys, accountants and architects
Business Licenses and Permits (Note 14)	$150 - $2,100	Lump sum	Before opening	Government authorities
Printing, Stationary and Office Supplies (Note 15)	$500 - $3,000	As billed	Before opening	Third party
Additional Funds – Initial period of 3 months (Note 16)	$10,000 - $30,000	As incurred	Before opening	Us, utilities approved vendors, employees and other providers of services and/or goods necessary for the operation of your Spa.
TOTAL	$98,650 to $329,100 (Franchise Agreement)			

Explanatory Notes to Item 7 for Franchise Agreement

Note 1: About Your Estimated Initial Investment – These are only estimates and your costs may vary depending on the size of your Spa, economic and market conditions, competition, wage rates, the capabilities of your management team, your business experience and other factors. You should carefully review these estimates with your business, accounting and legal advisors before making any decision in signing a Franchise Agreement. These estimates do not include interest and financing charges that you may incur and they do not include royalties, marketing development and other continuing fees that you will be required to pay to us. Payments are non-refundable unless otherwise noted. We do not offer direct or indirect financing. The total estimates are based on experiences of our affiliate in establishing a Spa. Your costs may vary based on a number of factors including the geographic area in which you open, local market conditions, your Spa Location, the time it takes to build sales and your skills at operating a business. We

recommend that you use these categories and estimates as a guide to develop your own business plan and budget and investigate specific costs in your area.

Note 2: Initial Franchise Fee – The Initial Franchise Fee for a Spa under the Franchise Agreement is $29,000. All fees paid to us for your initial franchise fee are non-refundable. There are no refunds under any other circumstances, including if you breach the franchise agreement and we terminate the Franchise Agreement.

Note 3: Construction and Leasehold Improvements – This estimate is for the cost of construction and build-out of a Spa but does not including furniture, fixtures and equipment. We have based our estimates on our experience in establishing a Spa. Our estimates are based on the assumption that the typical square footage for a Spa ranges from 1,000 to 20,000 square feet. The difference in the low and the high improvement cost estimates is due to differences in the physical attributes of the location such as ceiling heights and street frontage. These estimates are applicable to a site which has been obtained in the "vanilla box" stage which refers to the interior condition of either a new or existing building in which the existing improvements generally consist of heating/cooling with delivery systems, essential lighting, electrical switches and outlets, lavatories, a finished ceiling, walls that are prepped for painting and a concrete slab floor. These numbers are not inclusive of any architect fees or other fees charged by licensed professionals (other than general contractors and licensed tradesmen) and do not include any special heating cooling or ductwork required by a spa. They also do not include any financial contributions by a landlord.

Note 4: Furniture, Fixtures and Equipment – You will be required to purchase certain types of furniture, fixtures and equipment for your Spa. Among other things, you will be required to purchase massage tables, furniture and computer equipment from us, our approved manufacturers, and/or suppliers and/or subject to our specifications. The costs for furniture and fixtures may differ depending on the material quality and on other factors. Significant factors that will influence and will increase the cost of furniture, fixtures and equipment will depend on the size of your Spa. The costs listed here do not include any transportation or set up costs. It is assumed that some of the equipment will be leased. If you elect to purchase such equipment, your costs may be higher.

Note 5: Signs – You are required to purchase, subject to our design and construction specifications and approval, interior and exterior signs and displays that we designate. This estimate is for the cost to produce wall signage to be mounted to the outside of the building as well as all interior signage. This estimate includes other elements of brand identification within the Spa such as wall graphics.

Note 6: Computer, Software and Point of Sales System – The point of sales ("POS") system is the equipment that tracks the sales of your Spa. You will be required to purchase and utilize a POS that we designate and you will need to maintain a dedicated computer at the Spa Location that maintains a consistent high-speed internet connection and permits remote access by us at all times. Additional information about the POS and computer systems are disclosed in Item 11 of this Disclosure Document

Note 7: Initial Inventory – Your initial inventory of beauty, skincare and branded merchandise and your on-going inventory and supplies that you are required to obtain from us, our affiliate or from our designated suppliers are paid for at standard prices and terms and your ongoing inventory must be purchased from either us or our approved vendors only.

Note 8: Lease Deposit and Real Property – You will be required to operate your Spa from a commercial business location that complies with state and local law and that we approve as your Spa Location. The cost of real estate varies considerably based on the local real estate market and the size and location of the property that you elect to purchase or lease. This "Estimated Initial Investment" for the establishment of a Spa is based on the assumption that you will be leasing the Spa Location. You will be required to pay the landlord a security deposit that will be calculated based on the number of month's rent that the landlord

requires to be held as security. The amount of your security deposit is something that you will negotiate directly with the landlord and will vary significantly based on a number of factors, including the desirability of your leased location and your own negotiations. Our estimates are based on the assumption that the typical square footage for a Spa ranges from 1,000 to 20,000 square feet. If your Spa Location is in a downtown or prestigious area your rent may be higher. Pre-paid rent is generally non-refundable while security or other deposits may be refundable either in full or in part depending upon your lease or rental contract. This estimate does not include the purchase of real property should you elect to purchase the real property of your Spa Location.

Note 9: Utility Deposits – To secure the appropriate utilities required for the operation of your Spa, including gas, electric, water, sewer and internet access, you will be required to pay upfront deposits to each applicable utility company.

Note 10: Insurance Deposits – You are required to maintain certain insurance respecting the operations of the Franchised Business. Your actual payments for insurance and the timing of those payments will be determined based on your agreement with your insurance company and agent. The cost of your insurance coverage will be based on factors outside of our control. The amount charged for insurance coverage may be significantly more or less than our estimate. This estimate is for the cost of an initial deposit in order to obtain the minimum required insurance.

Note 11: Travel for Initial Training – Prior to opening your Spa you must complete our pre-opening training program. This estimate is for the travel, food, and lodging expenses for you or your Managing Owner and one designated manager (two individuals in total) to attend the initial training program held in Huntington Beach, California. The duration of the training program is 12 hours over a period of 2 days. This estimate does not include the cost of labor.

Note 12: Grand Opening Marketing Expense – You must spend a minimum of $4,000 prior to the opening of your Spa for the purpose of promoting your grand opening. You must submit your grand opening marketing plan to us for our pre-approval.

Note 13: Professional Fees – These fees are representative of the costs for engagement of professionals. You will be required to hire a licensed architect and engineer to prepare and have approved architectural and engineering plans for the construction and build-out of your Spa facility which must conform to our brand standards and specifications and comply with local applicable laws, rules and regulations. You will also incur fees with an attorney and, potentially an accountant, for the initial review and advisory services and representation consistent with the start-up of a Spa. We strongly recommend that you seek the assistance of professional advisors when evaluating this franchise opportunity, this Disclosure Document and the Franchise Agreement. It is also advisable to consult these professionals to review any lease or other contracts that you will enter into as part of starting the Franchised Business.

Note 14: Business Licenses and Permits – You must apply for, obtain and maintain all required permits and licenses necessary to operate the Franchised Business. The licenses will vary depending on local, municipal, county and state regulations. All licensing fees are paid directly to the governmental authorities when incurred, and are due prior to opening the Franchised Business.

Note 15: Printing, Stationary and Office Supplies – This figure is primarily for printing a start-up order of stationery and business cards bearing the Licensed Marks and a supply of office materials.

Note 16: Additional Funds – You will need additional capital to support on-going businesses expenses, including business expenses such as payroll, inventory, marketing, rent and utilities. It is extremely common for new businesses to generate negative cash flow. This estimate is only to cover on-going expenses during the initial start-up phase of the Franchised Business comprised of the first three (3) months

following the opening of the Franchised Business. This is only an estimate and we cannot assure you that you will not incur additional expenses during the initial start-up phase or that you will not require additional capital (not included in this estimate) beyond the three (3) month initial start-up phase. There is no assurance that additional working capital will not be necessary during this start-up phase or after. This estimate is for one Spa and if you sign a Development Agreement the estimated amount will be required for each Spa that you develop. We have relied on the experiences of our affiliate in making this estimate.

B. Development Agreement

YOUR ESTIMATED INITIAL INVESTMENT (Note 1)

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment is Made
Development Area Fee (Note 2)	$20,000 - $90,000	Lump sum	When you sign the Franchise Agreement	Us
Initial Investment to Open Franchised Business	$98,650 to $329,100	See Chart A of this Item 7		
TOTAL ESTIMATE (Note 3)	$118,650 to $419,100			

Explanatory Notes to Item 7 for Development Agreement

Note 1: About Your Estimated Initial Investment – All payments and fees are non-refundable unless otherwise noted. We do not offer direct or indirect financing. This chart and estimated initial investment applies to your signing of a Development Agreement that will designate and grant to you the right to, potentially, develop and operate between three (3) to ten (10) Spa s, as well as the estimated initial investment for you to open your first Spa under your Development Agreement.

Note 2: Development Area Fee and Franchise Fees – If you sign a Development Agreement, you must pay us a Development Area Fee. The amount of the Development Area Fee varies depending on the number of additional Spas (over and above the first Spa authorized by the Franchise Agreement that you will sign simultaneously with the Development Agreement) that you will be authorized and required to develop and operate within the Development Area. Under a Development Agreement the minimum number of Spas that you may be authorized to development is three (3) Spas and the maximum is ten (10) Spas. The Development Area Fee is Ten Thousand Dollars ($10,000) for each Spa (over and above your first Spa authorized by the Franchise Agreement that you will sign simultaneously with the Development Agreement) that you may be authorized to development under the Development Agreement. In addition to the initial franchise fee of $29,000 that you will be required to pay at the time of signing the Franchise Agreement for the first Spa in your Development Area and the Development Area Fee that you will pay to us at the time of signing the Development Agreement, you will pay to us an Initial Franchise Fee of $10,000 at the time of signing the franchise agreement for each additional Spa that you develop within the Development Area.

Note 3: Total Estimate – This is the total estimated investment to enter into a Development Agreement for the right to potentially develop and operate between three (3) to ten (10) Spas and the estimated initial investment for developing one Spa. This estimate does not include the estimated initial investment that you will incur each and every time you develop a Spa under your Development Agreement, except for your first Spa.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You may only offer and sell the System Products and Services that we designate and you may only utilize those products, supplies, suppliers, equipment, and services that we authorize and designate in writing. To ensure that our standards and specifications of quality, service and System development are maintained, you must operate your Spa in strict conformity with the Franchise Agreement and the methods, standards, specifications and sources of supply that we designate and prescribe in the Manuals.

Source Restricted Purchases and Leases - Generally

We require that you purchase or lease certain source restricted goods and services for the development and operation of your Spa. Source restricted goods and services are goods and services that must meet our specifications and/or must be purchased from an approved or designated supplier. We may designate a supplier (which may include us or our affiliates) as the exclusive supplier for the System. Our specifications and list of approved and designated suppliers is contained in our Manuals. We will notify you of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, amendments and updates to our Manuals, verbal and other forms of communication. We formulate and modify our standards and specifications for products and services based on our industry experience and our management decisions as to the overall operation and expansion of the System.

Suppliers and Supplier Criteria

We may designate ourselves and our affiliates as exclusive suppliers of source restricted goods and services. We may designate ourselves or a third party as exclusive supplier irrespective of the existence of competing suppliers. If there is no designated supplier for a particular item, you will purchase all products, supplies and services from suppliers who meet our specifications and standards. Currently, we are not and our affiliates are not approved suppliers of the source restricted goods and services identified below. Currently no officer of ours owns an interest in any of our designated suppliers.

If you want to purchase or lease a source restricted item from a supplier that has not been previously approved or designated by us in writing, you must send us a written request for approval and submit additional information that we may request. We may charge you a fee equal to the costs and expenses that we incur in reviewing and/or evaluating an alternate supplier, product, and/or service requested by you. We may request that you send us samples from the supplier for testing and documentation from the supplier for evaluation. We may also require, subject to our discretion, that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within a reasonable time (not to exceed sixty (60) days) after we receive your written request for approval and all additional information and samples that we may request. We may, in our discretion, withhold our approval. We do not make our procedures or criteria for approving suppliers available to our System franchisees, except that when evaluating the approval of a particular supplier, among other things, we consider: whether the supplier can demonstrate to our reasonable satisfaction the ability to meet our standards, specifications and production requirements, the suppliers quality control, whether or not we are the exclusive supplier of the particular item, whether or not our affiliate or affiliates are the exclusive supplier of the particular item, and whether or not the suppliers approval, in our sole determination, will allow us to advance the overall interests of the System.

We estimate that your purchase of goods and services from suppliers according to our specifications, including your purchase of goods or services from our designated exclusive suppliers, to represent approximately 86% of your total purchases and leases in establishing the Franchised Business and approximately 25% of the on-going operating expenses of your Franchised Business. Currently, neither us nor our affiliates are approved suppliers of the source restricted goods and services identified below. Currently no officer of ours owns an interest in any of our designated suppliers

As described below in more detail, we currently require that you purchase or lease the following source restricted goods and services:

1. Lease – We do not review the terms of the lease for your Spa Location but require that your landlord acknowledge our rights as set forth in the lease rider attached as Exhibit 7 to the Franchise Agreement (the "Lease Rider") and that you collaterally assign the lease to us as set forth in the collateral assignment of lease attached as Exhibit 8 to the Franchise Agreement. We possess the right to disapprove of a proposed lease if the landlord refuses to sign the Lease Rider in substantially the form set forth in Exhibit 7 to the Franchise Agreement. The Lease Rider is intended to afford us certain rights including our right to be notified in the event of a lease default and, potentially, for us to enter the premises of your Spa Location.

2. System Supplies – Your Spa must maintain an initial and ongoing inventory of System Supplies. You must purchase the System Supplies from us, our affiliates, or our designated suppliers.

3. Furniture and Fixtures – Your Spa must be equipped with branded and unbranded furniture and fixtures that we designate and that meet our standards and specifications. You may purchase unbranded furniture and fixtures from any supplier of your choosing, provided that the furniture and fixtures meet our specifications and standards, which may also include specified manufacturers and brands. If the furniture and fixtures that we designate are specified to be branded with the Licensed Marks, then you may only purchase them from our designated exclusive suppliers.

4. Signage – The signage for your Spa must meet our standards and specifications and must be purchased from our designated suppliers.

5. Point of Sale and Computer Equipment – You will be required to purchase the computer systems, point of sale systems and software systems designated by us in the Manuals. You must license and utilize the point of sale software for your Spa that we designate. Currently, you are required to purchase minimum of 1 and a maximum of 10 configured hardware terminals subject to the size of your Spa.

6. Branded Items and Marketing Materials – All materials bearing the Licensed Marks (including, but not limited to, stationary, business cards, brochures, apparel, signs and displays) must meet our standards and specifications and must be purchased from either us directly or our designated suppliers. All of your marketing materials must comply with our standards and specifications and must be approved by us before you use them. You may market your Spa through approved digital media and social media platforms provided that you do so in accordance with our digital media and social media policies. You must purchase all branded marketing materials from either us or our designated exclusive supplier. We may require that you exclusively use, at your cost, our designated supplier for social and digital media marketing services and exclusively use, at your cost, our social media platforms, vendors and marketing channels.

7. Insurance – You must obtain the insurance coverage that we require from time to time as presently disclosed in the Manuals and as we may modify. All insurance policies required under your Franchise Agreement and as set forth in the Operations Manual must be provided by an insurance carrier with an A.M. Best Rating of at least A-, VII and reasonably acceptable to us and all insurance, excluding workers' compensation, must name us, our officers, directors, shareholders, partners, agents, representatives and independent contractors as additional insureds. The insurance policies must include a provision that the insurance carrier must provide us with no less than thirty (30) days' prior written in the event of a material alteration to, or cancellation of, any insurance policy. A certificate of insurance must be furnished by you to use at the earlier of ninety (90) days after the Effective Date of the Franchise Agreement or prior to the commencement of our initial training program. Insurance coverage must be at least as comprehensive as

the minimum requirements set forth in the chart below and in the Franchise Agreement (Article 8 of the Franchise Agreement). You must consult your carrier representative to determine the level of coverage necessary for the Franchised Business. Higher exposures may require higher limits.

Insurance Requirements

a) Coverage against direct physical loss or damage to real and personal property, including improvements and betterments, written on a special form peril basis, including flood and earthquake, if the relevant property is situated in a flood or earthquake zone, in an amount equal to 100% of the Franchised Businesses property value;

b) Comprehensive general liability insurance, written on an occurrence basis, extended to include contractual liability, products and completed operations, and personal and advertising injury, with a combined bodily injury and property damage limit of at least $1,000,000 per occurrence, $2,000,000 in aggregate;

c) Statutory workers' compensation insurance and employers' liability insurance as required by the law of the state in which the Franchised Business is located, including statutory workers' compensation limits and employers' liability limits of at least $1,000,000;

d) Business interruption equal to twelve (12) months of your net income and continuing expenses including royalty fees;

e) Commercial umbrella liability insurance with total liability limit of at least $1,000,000;

f) Cyber Insurance in the amount of at least $1,000,000 protecting against first party and third party claims;

g) Employer practices liability insurance with a limit of at least $2,000,000 including actions of a third-party and a minimum of $100,000 for wage and hour disputes; and

h) All other insurance that we require in the Manual or that is required by law or by the lease or sublease for the Franchised Business.

We have negotiated, on our own behalf and that of our affiliates, insurance policies from a preferred broker and insurance carrier that that meets our specifications for applicable insurance coverage. You may purchase insurance from the preferred brokers and insurance carriers that we designate or you may purchase insurance from brokers and insurance carriers that you select provided that your insurance coverage meets our standards and specifications and that you submit the proposed insurance policies to us for our review and approval. In such instance, where you select a broker and/or insurance carrier other than the select broker and carrier that we designate, you must pay to us an insurance policy review fee of $1,000. If the insurance policy is reviewed by us in-house we will retain the fee. If we elect to have the policy reviewed by an outside consultant we will use the fee to pay the outside consultant.

Purchase Agreements and Cooperatives

We may, in our discretion, negotiate purchase agreements, including price terms, with designated suppliers for source restricted goods and services on behalf of the System. We may establish preferred vendor programs with suppliers on behalf of some or all of the Spas under the System and, in doing so, we may limit the number of approved vendors and/or suppliers that you may purchase from and we may designate one vendor as your sole supplier. Presently there are no purchase or supply agreements in effect for source restricted products or services and there are no purchasing or distribution cooperatives that you must join. You will not receive any material benefits for using our designated or approved suppliers.

Our Right to Receive Compensation and Our Revenue from Source Restricted Purchases

We and/or our affiliates may receive rebates, payments and other material benefits from suppliers based on franchisee purchases and we reserve the right to institute and expand rebate programs in the future. As of December 31, 2020, we have not received revenue from suppliers of franchisee purchases of source restricted products or services. We do not provide our franchisees with any material benefits based on a franchisee's purchase of particular products or services or use of particular suppliers.

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.

Table Abbreviations: "FA" – Franchise Agreement; "DA"- Development Agreement

Obligation	Article(s) in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	FA: 2.A, 3.A, 3.B DA: 2, 5.5, 5.6	7, 11
b. Pre-opening purchases and leases	FA: 3, 8 DA: Not applicable	7, 8
c. Site development and other pre-opening requirements	FA: 3, 4, 7.F, 7.G, 7.I, 7.J, 8, 9.B DA: 2, 5.5, and 5.6	6, 7, 11
d. Initial and ongoing training	FA: 4, 7.J DA: Not applicable	11
e. Opening	FA: 2, 3, 4, 9.B DA: 2, 3, 4.1, 4.4, 4.5, 4.6, 4.7	11
f. Fees	FA: 3, 4.A, 5, 9, 12, 13, 14, 15, 16, 18.N. DA: 2, 4, 5.2	5, 6, 7
g. Compliance with standards and policies/manual	FA: 3, 4, 7 8, 9, 12 DA: 2, 5	8, 11
h. Trademarks and proprietary information	FA: 6, 7, 11 DA: 2, 5	13, 14
i. Restrictions on products and services offered	FA: 3, 4.C, 7.F, 7.G. 7.H, 7.I, 7.J, 8 DA: 2, 5	8, 11, 16
j. Warranty and customer service requirements	FA: 7 DA: Not applicable	16
k. Territorial development and sales quotas	FA: 2 DA: 4	12
l. Ongoing product and service purchases	FA: 3, 4.C, 5, 7 DA: Not applicable	8
m. Maintenance, appearance and remodeling requirements	FA: 7 DA: 5	7, 17
n. Insurance	FA: 8 DA: Not applicable	7, 8
o. Advertising	FA: 3.F, 4.C, 7.I, 9, 11 DA: Not applicable	6, 11

Obligation	Article(s) in Agreement	Disclosure Document Item
p. Indemnification	FA: 10 DA: Not applicable	6
q. Owner's participation, management, staffing	FA: 4, 6, 7 DA: 2.5, 6.2	11, 15
r. Records and reports	FA: 5, 12 DA: Not applicable	6
s. Inspections and Audits	FA: 13 DA: Not applicable	6, 11
t. Transfer	FA: 14 DA: 6	17
u. Renewal	FA: 15 DA: 3	17
v. Post-termination obligations	FA: 6, 17, 18 DA: Not applicable	17
w. Non-Competition Covenants	FA: 6, 17, 18 DA: Not applicable	17
x. Dispute Resolution	FA: 18.F, 18.G DA: 7	17
y. Other: Individual guarantee of franchisee obligations	FA: 2.C, 6, 14.C, 14.E DA: 2.5, 6.2	9

ITEM 10
FINANCING

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

ITEM 11
FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Obligations

1. Grant of Franchise – We will grant to you the right to operate a Spa at a single Spa Location that is located within a designated territory. (Franchise Agreement, Article 2);

2. Franchise Agreement Designated Territory – Once you secure a Spa Location that we approve, we will define the Designated Territory for your Spa and include the geographic boundaries and/or a description of your Designated Territory within the Schedules or Exhibits to the Franchise Agreement. (Franchise Agreement, Article 2, Schedule 1, Schedule 2, and Exhibit 5);

3. Development Agreement Development Territory – If you have entered into a Development Agreement, we will designate your Development Territory. The Spas to be developed by you must be located within the Development Territory. Once you select a Spa Location(s) that we approve within the Development Territory, within the franchise agreement for each respective Spa we will define the Designated Territory and include the geographic boundaries and/or a description of your Designated Territory for each respective Spa. (Development Agreement, Article 2). For all Spas developed under a Development Agreement, our approval of a Spas Location and the Designated Territory for each Spas Location will be made using our then-current site criteria;

4. Manuals – We will loan you a copy of our confidential and proprietary Manuals. You must operate the Franchised Business in accordance with the Manuals and all applicable laws, rules and regulations. At all times, we reserve the right to supplement, modify and update the Manuals. (Franchise Agreement, Articles 1 and 4.C). The operations manual as of the Issuance Date of this Disclosure Document currently consists of 123 pages and the table of contents to the operations manual is attached as Exhibit C to this Disclosure Document (Franchise Agreement, Article 4). The major subjects contained in the operations manual consists of establishing, developing, marketing and operating the Franchised Business;

5. Site Review, Approval and Designated Territory– We will review the proposed site that you select for your Spa Location and we will notify you of our approval or disapproval of your proposed site. Once you select a site that we approve of as your Spa Location, we will designate your Designated Territory. However, if you negotiate and we agree to designate and grant to you a Designated Territory prior to your selection of a Spa Location, then you must locate your Spa within the Designated Territory and at a site that we approve as your Spa Location. At all times, you must obtain our approval of your Spa Location. Additional information about site selection is discussed in more detail below in this Item 11.

6. Approved Suppliers and Distributors – We will provide you with a list of our approved suppliers and distributors (to the extent that we have designated them), either as part of the Manuals or otherwise in writing. (Franchise Agreement, Articles 3 and 4);

7. Signs, Equipment, Furniture, and Fixtures – We will provide you with a list of our approved signage, equipment, furniture and fixtures (to the extent that we have designated them), either as part of the Manuals or otherwise in writing and we will review and approve, in our discretion, your proposed signage, equipment, furniture and fixtures. We do not provide assistance in delivering or installing signs, equipment, furniture, or fixtures. (Franchise Agreement, Articles 3 and 4);

8. Website and Digital Media – We will identify and locate your Spa on our website. You may not utilize any websites, web based media or digital media unless expressly approved by us in writing. We strictly control how you may or may not use websites and digital media and you must assign all website media and digital media accounts to us. (Franchise Agreement, Articles 3.F and 9); and

9. Initial Training – Not less than forty-five (45) days prior to the opening of your Spa you or your Managing Owner and one management level employee or Owner must attend and complete our initial training program. We will provide you (and up to one of your designated managers) with training in accordance with our initial training program. (Franchise Agreement, Article 4). Our current training program is to be attended by you, or if you are a Corporate Entity, your managing owner and one operating manager at our training facility located in Huntington Beach, California. The training program takes place over a 2 day period and is described below in this Item 11 in more detail.

Site Selection

Although you are responsible for selecting a site for your Spa Location you must obtain our approval of your Spa Location. Generally, we do not own or lease the real property that will serve as your Spa Location and you are responsible for all costs and expenses in locating and evaluating proposed sites for your Spa Location and the demographic data associated with your proposed sites. Before you enter into a lease or other agreement for your Spa Location you must obtain our approval. We will provide you with site selection guidelines. If your Franchise Agreement specifies and designates a Designated Territory, your Spa Location must be located within your Designated Territory at a site that we approve. If you sign a Development Agreement than each Spa Location must be located within the Development Territory designated in the Development Agreement and at site(s) that we approve within the Development Territory. Your rights in your Spa Location must be subordinate to our rights as set forth in the Lease Rider attached

as Exhibit 7 to the Franchise Agreement and the Collateral Assignment of Lease attached as Exhibit 8 to the Franchise Agreement.

Although there is no specified time limit for us to review the proposed site for your Spa Location, we will do so within a reasonably time period, not exceeding thirty (30) days of our receipt of your written request for our review of a proposed site and your submission to us of the information and documentation that we may request concerning the proposed site. In determining whether to approve or disapprove a proposed site for your Spa Location, factors that we take into consideration include: (a) demographic factors, traffic patterns, parking, building structures, visibility and available sign locations; (b) characteristics of the proposed site; (c) the location of your proposed site relative to your overall Designated Territory and proximity to other Spas, if your Designated Territory was previously designated; (d) the location of your proposed site relative to your overall Development Territory and proximity to other Spas, if you signed a Development Agreement and your Development Territory was previously designated; and (e) whether or not the landlord for the Spa Location approves of our Lease Rider in substantially the same form as contained in Exhibit 7 of the Franchise Agreement.

Within one hundred and twenty (120) days of signing your Franchise Agreement you must secure a Spa Location and lease that we approve (Franchise Agreement, Article 3.A). If you do not meet this requirement for any reason, including our disapproval of a proposed site location, we may terminate your Franchise Agreement without refunding any fees to you. It is your obligation to consult with government agencies, architects and legal professionals to evaluate and determine that your Spa Location permits the establishment and operation of the Franchised Business and that you possess the necessary licenses and authority to operate a Spa that offers and sells the System Products and Services. (Franchise Agreement, Articles 2, 3, 7 and 16).

Time to Open

You may not open your Spa until you have completed our initial training requirements, obtained the necessary licensing and authorization from state and regulatory agencies within your Designated Territory, obtained and provided us with written proof of the required insurance, and have timely secured and developed a Spa Location that we approved.

We estimate that the length of time between the signing your Franchise Agreement and opening your Spa to be approximately three (3) months to nine (9) months. Factors that may affect this estimated time period include: (a) evaluating and selecting a suitable site for your Spa Location that is approved by us; (b) timeliness of your submission to us of information and documentation that we may request in determining whether or not to approve of the site for your proposed Spa Location; (c) length of time undertaken by you to complete our initial training program to our satisfaction; (d) negotiating and obtaining a suitable lease for your Spa Location that is approved by us; (e) obtain third-party lender financing, if necessary; and (f) obtaining the necessary licenses for the operation of your Spa. Other factors that may affect this time period include availability of equipment, delays associated with equipment installation and the construction and/or installation of your leasehold improvements and fixtures. You must open your Spa within nine (9) months from the effective date of your Franchise Agreement, otherwise we may terminate your Franchise Agreement without refunding any fees to you. (Franchise Agreement, Articles 3.C).

Post-Opening Obligations

1. Supplemental Training – We may require that you and your Operating Manager participate in supplemental on-site training that we may designate and require in our discretion. We may provide, in our discretion, supplemental training on-site at your Spa Location. You will be required to pay our then current supplemental training fee, which is currently Three Hundred ($300) Dollars, per on-site trainer, per day, plus travel expenses, meals and accommodation expenses incurred by us. (Franchise Agreement, Article 4.A.);

2. Initial Training for Replacement Operating Manager(s) – Your Operating Manager must complete, to our satisfaction, our initial training program. We will offer and make available to your replacement Operating Manager our initial training program which must be completed to our satisfaction. The initial training program will be provided by us at the facilities that we designate that, presently, is comprised of our Spa located in Huntington Beach, California. You will be required to pay our then current supplemental training fee for replacement Operating Manager, which is currently Three Hundred ($300) Dollars, per manager, per day for each replacement manager attending our initial training. You will also be responsible for all costs incurred by your managers in attending our initial training (Franchise Agreement, Article 4.A. and 4.C.);

3. Communication of Operating – We may establish, update and provide you with consultations and communications as to the standards, procedures and System requirements as to the operation of your Spa including, but not limited to, System Products and Services, System Supplies, marketing and promotion standards, and as we may, in our discretion, designate, modify, supplement and amend from time to time and, as set forth in the Manuals which we may, in our discretion, modify from time to time. (Franchise Agreement, Articles 4.B. and 4.C.);

4. Marketing Standards and Approval – We may establish, update and communicate to you our standards for the marketing and promotion of the Franchised Business including, but not limited to, those marketing materials and mediums that you may utilize. We will respond to your request respecting the communication of our approval or disapproval of marketing materials and mediums that may be requested by you for use in the marketing and promotion of the Franchised Business. We maintain full discretion as to the marketing standards and the marketing materials and media that you may use in the marketing and promotion of the Franchised Business (Franchise Agreement, Article 4.B.);

5. Approved Vendors – We will provide the names and addresses of approved vendors and suppliers for the System Products and Services and the System Supplies. (Franchise Agreement, Articles 4.B. and 4.D.);

6. Annual System Conference – We may, in our discretion, coordinate an annual conference to be attended by franchisees of the System that are in good standing. We may charge an annual conference fee not exceeding Seven Hundred and Fifty ($750) Dollars. You will be responsible for all travel and accommodation expenses associated with your attendance at the conference. (Franchise Agreement, Article 4.B.);

7. Administration of Marketing Funds – We may administer and manage System-wide marketing funds comprised of a Brand Development Fund. (Franchise Agreement, Articles 9.A. and 9.F);

8. Hiring and Training of Employees – We do not provide assistance with the hiring and training of your employees. You will be directly responsible for the management and supervision of your employees. For the protection of the System, you must ensure that all employees wear and maintain the proper uniforms with our approved System branded apparel and uniforms including, but not limited to the apparel and uniforms comprising System Supplies. You must monitor and ensure that all System Supplies and System Products and Services are prepared, maintained, and served in accordance with the System standards and Manuals; and

9. Pricing – You will exclusively determine the prices that you charge for the System Products and Services served and sold by your Spa. However, we may suggest pricing levels that we recommend.

Advertising

1. Generally – All advertising, marketing, marketing materials and all marketing mediums used by you in the marketing and promotion of your Spa must be pre-approved by us in writing and conform to our standards and specifications. You may only utilize those advertising and marketing materials and mediums that we designate and approve in writing. In our discretion, we may make available to you approved marketing templates comprised of pre-approved ads, ad copy and digital media that you may utilize at your own expense. If you wish to utilize marketing materials and/or marketing mediums that are not currently approved by us in writing, you may submit a written request requesting permission and we will approve or disapprove of your request within fifteen (15) days of your submission of the written request and sample marketing materials. We are not required to conduct any advertising on behalf of the franchise System or on your behalf . (Franchise Agreement, Article 9);

2. Local Marketing – You are not authorized to engage in any marketing unless we pre-approve such marketing. (Franchise Agreement, Article 9.B). You are required to engage in local marketing and you are required to commit and spend an amount equal to no less than Two (2%) Percent of your monthly Gross Sales on your local marketing efforts. We will review your local marketing programs and notify you if we approve same. We will make available to you and provide you with access to our approved brochures, displays, presentations and marketing campaigns (in the form of a source document) that you may utilize. In those instances where we provide you with access to our marketing campaigns we provide you with the source designs and design specifications. However, you will incur the direct costs associated with duplicating and utilizing such marketing campaigns and in having such campaigns printed, distributed and/or placed with media sources. (Franchise Agreement, Article 9);

3. Digital Media and Website – All digital media and marketing must be approved by us. We will designate for your Designated Territory information about your Spa on the angelspausa.com webpage or such other websites as we may designate for the System. (Franchise Agreement, Article 9);

4. Brand Development Fund – We may control and administer a brand development fund (the "Brand Development Fund") (Franchise Agreement, Article 9.A). As disclosed in Item 6 of this Disclosure Document, you must contribute a weekly sum not to exceed Two (2%) Percent of weekly Gross Sales to the Brand Development Fund. We may use the Brand Development Fund for market studies, research, service development, product development, testing, research studies, technology development, advertising and public relations studies or services, creative production and printing of advertising and marketing materials, advertising copy and commercials, tracking costs, agency fees, administrative costs, which may include reimbursement for direct administrative and personnel costs associated with advertising and public relations, and any other costs associated with the development, marketing and testing of advertising, marketing and public relations materials, and the purchase of media placement, advertising time and public relations materials in national, regional or other advertising and public relations media in a manner determined by us, in our discretion, to be in the best interest of the franchisees and the System. Our company and/or affiliate owned Spas may but are not required to contribute to the Brand Development Fund. The Brand Development Fund will be required to maintain unaudited financial records detailing its expenditures and will make available to you (no more frequently than one time in any twelve-month period) an unaudited accounting of how the monies contributed to the Brand Development Fund were spent each year. We are not required to segregate the Brand Development Fund from our general operating funds and we are not a fiduciary or trustee of the Brand Development Fund. The Brand Development Fund will not be used to directly promote your Spa or the marketing area in which your Spa will be located. (Franchise Agreement, Article 9.A). We may utilize the Brand Development Fund to develop and test various media and technologies for potential utilization and/or improvement of the operations of Spas and the marketing of Spas. These technology developments and/or improvements may relate, among other things, to our website and to the interaction and potential enhancement of web offerings that may or may not be implemented on behalf of Spas. You may or may not benefit from these technology developments and improvements. The

Brand Development Fund will be uniformly imposed upon all franchisees. (Franchise Agreement, Article 9.A.);

We may use the Brand Development Fund to compensate ourselves for administrative fees associated with managing the Brand Development Fund and for our internal employee salaries, expenses and overhead associated with or reasonably allocated to managing the activities of the Brand Development Fund and performing services on behalf of the Brand Development Fund including, but not limited to, directing, developing and managing media of the Brand Development Fund. We will not directly utilize the Brand Development Fund to directly market the sale of Spas, however the advertising, marketing and brand development materials developed (including the System website) may contain basic information as to the availability of Spa franchises for sale and contact information for franchise inquiries. As of December 31, 2020 we have not implemented the Brand Development Fund, but we intend to do so in the future.

5. Local and Regional Advertising Cooperative – We possess the exclusive right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that we designate. We will exclusively determine the geographic and other boundaries constituting each respective cooperative and factors that we will consider include media markets including print, television and digital. If we establish a cooperative within a market that includes your Spa you must contribute to the cooperative in such amounts and frequency as determined by the cooperative. Members of the cooperative will be responsible for administering the cooperative, including determining the amount of contributions, marketing expenditures and allocations. However, we may require that cooperative decisions be made based on approval of a simple majority of franchisee members based on one vote per Spa located and a quorum of not less than twenty-five percent of the designated franchisee cooperative members. If a cooperative exceeds nine franchisee members we may require that the cooperative establish formal governing documents. Each cooperative must prepare annual unaudited financial statements that must be provided to each cooperative member for review. We reserve the right to form, change, dissolve, or merge any advertising cooperative. If we elect to form a local or regional cooperative or if a cooperative already exists as to the area of your Spa, you will be required to participate in the cooperative in accordance with the provisions of our Operations Manual which we may supplement and modify from time to time.

As of the Issuance Date of this Disclosure Document we have not established any local or regional advertising cooperatives but reserve the right to do so in the future; and

7. Advertising Council – We have not established and advertising council but reserve the right to do so in the future. (Franchise Agreement, Article 9.A).

Computer System

You must utilize the computer systems; point of sale systems and business management systems that we specify and designate. Presently, you are required to operate and maintain a point of sale system as designated in the Manuals with a minimum of 1 and a maximum of 10 configured hardware terminals. Additionally, you must purchase and maintain a computer system on-site at the Spa Location of your Spa. The cost of the point of sale and computer system that you will be required to purchase varies depending on the size of your Spa with your estimated costs for a computer and point of sale system being $1,500 - $3,500. You are obligated to install the software upgrades and patches as provided by the manufacturer of the computer and point of sale system. You are responsible for hardware repairs or replacement of systems that are no longer covered under warranty. Your estimated costs for the maintenance, repair and updates for the computer and point of sale systems is $1,500 per year. You will also be required to utilize those customer reward programs and systems that we designate. There are no contractual limitations on the frequency or cost of this obligation. We will have independent access to all of the information and data that is electronically collected and stored on your point of sale system and, as such, will have access to all data related to the sales, inventory and financial performance of your Spa.

Initial Training

If this is your first Spa, we will provide initial training for you (or if you are a corporate entity, your managing owner) plus one designated manager. Either you or your managing owner plus your general must successfully attend and complete the initial training program to our satisfaction no later than forty-five (45) days prior to the opening of your Spa. The initial training program takes place over an approximate 2 day period. If more than two individuals attend initial training you will be charged an additional fee per additional persons attending initial training (Item 6). Although we provide you (or your managing owner if you are a corporate entity) plus your general manager with initial training at no additional fee or charge, you will be responsible for paying for all travel, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance and participation in our initial training program and the attendance and participation of your designated managers in our initial training program. (Franchise Agreement, Article 4). Currently, we provide our initial training program no less frequently than quarterly and on an as-needed basis.

TRAINING PROGRAM

The following chart summarizes the subjects covered in our initial training program:

Subject	Classroom Training (Hours)	On the Job Training (Hours)	Location
Operation of the Business	6	0	Huntington Beach, California
Providing Services	0	6	Huntington Beach, California
Subtotal Hours	6	6	
Total Hours	12		

Instructional materials that will be utilized in the initial training process includes our Manuals. All training will be conducted under the direction and supervision of our Chief Executive Officer, Truc Hien Tran Le, and will utilize instructional materials comprised of live instruction, handouts and the Manuals. Truc Hien Tran Le has detailed knowledge of each subject given her experience and training with us. In addition to initial training you will also be required to participate in and satisfy all other training programs that we may establish respecting the operation of your Spa. (Franchise Agreement, Articles 4 and 7.J).

After the opening of your Spa we reserve the right to require that you (or your managing owner if you are a corporate entity) attend a system-wide training program (the "System-Wide Training Program") that we may establish in our discretion. If we establish a System-Wide Training Program, the program will be offered from our affiliate owned Spa in Stanton, California and you will be responsible for all travel, lodging, food, automobile rental expenses and employee wages that you incur in connection with your attendance. We will not require your attendance at a System-Wide Training Program for more than a total of five (5) days in any calendar year.

ITEM 12
TERRITORY

Franchise Agreement

Under the Franchise Agreement, we will grant to you, subject to our Reserved Rights as discussed below in this Item 12, the right to develop and operate one Spa at a specific Spa Location that we approve. Once you identify a site that we approve for your Spa Location we will then designate an area around your site

as your designated territory (the "Designated Territory"). The area that we designate as your Designated Territory will be determined by us.

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. However, during the term of the Franchise Agreement, provided that you are not in default of your obligations to us or our affiliates and, except as to the Reserved Rights identified below, we will not establish and open and we will not grant another franchisee the right to establish and open a Spa at a Spa Location within your Designated Territory. The scope of your Designated Territory will vary from the scope and size of the designated territories of other franchisees in our System and will be determined by us based on population density, demographics, and geographical boundaries. While there is no minimum size for a designated territory, the scope and size of the area comprising your Designated Territory will, generally, be a distance of one (1) mile from the Spa Location in all directions travelable by road, but may be smaller based on population density, demographics, and geographical boundaries. Depending on the demographics and geography we may designate your Designated Territory where your Spa is located at the center of the Designated Territory or where your Spa is located elsewhere within the Designated Territory. We may identify your Designated Territory by zip code, boundary streets, highways, county lines, designated market area, and/or other recognizable demarcations and delineate it in Schedule 2 or Exhibit 5 attached to the Franchise Agreement. You may only offer and sell System Products and Services from your Spa Location and, only to retail customers.

If an approved Spa Location for your Spa is known at the time of signing the Franchise Agreement, we will acknowledge our approval of your Spa Location and the geographic boundaries of your Designated Territory in Schedule 2 to the Franchise Agreement. If an approved Spa Location for your Spa is not known at the time of signing the Franchise Agreement then, within one hundred and twenty (120) days of the effective date of your Franchise Agreement, you must secure a Spa Location that meets our standards and specifications and is approved by us through our execution of Schedule 5 to the Franchise Agreement.

We cannot alter the size of your Designated Territory without your written consent. We will not shrink the size of your Designated Territory if the population within your Designated Territory increases during the term of your Franchise Agreement. We will not increase the size of your Designated Territory if the population within your Designated Territory decreases during the term of your Franchise Agreement. The continuation of your Designated Territory is not dependent upon the achievement of a certain sales volume, market penetration or any other contingency other than your continued compliance with and satisfaction of the terms and conditions of your Franchise Agreement. The Franchise Agreement does not grant any options, rights of first refusal or similar rights to you for the acquisition of additional franchises within your Designated Territory or contiguous areas.

Although we will not establish and open or grant another System franchisee the right to establish and open an Angels Spa at a Spa Location that is located within your Designated Territory, you may face competition from other Angels Spas and System Franchisees including System franchisees with Spa locations and/or designated territories that are adjacent to and/or within a close proximity to your Spa Location or Designated Territory. There are no restrictions on us, our affiliates or our System Franchisees from advertising or soliciting customers of Angels Spas from anywhere, including within your Designated Territory except that there are restrictions on your ability to solicit business from outside your Designated Territory as we reserve the right to approve or disapprove of your marketing, marketing mediums and marketing distribution channels. There are no territorial restrictions from accepting business from customers outside of your Designated Territory except that you may only provide the services and products of your Spa from your Spa Location. There are no territorial restrictions on you from soliciting or accepting business from customers outside of your Designated Territory except that you may only provide the services and products of your Spa from your Spa Location and you may only deliver to customers and physical locations that are located within your Designated Territory.

Development Agreement

Under the Development Agreement, we will grant you, subject to our Reserved Rights as discussed below in this Item 12, the right to develop and operate an agreed upon number of Spas within a specified Development Area. The size of your Development Area will vary significantly from other franchisees signing our development agreement and will be determined by us based on (a) the number of Spas that we authorize you to develop, and (b) the local demographics and geography of the area where we agree you will be opening your Spas. You will be required to sign our then current franchise agreement for each and every Spa that you establish under the Development Agreement.

Other than as permitted by our Reserved Rights as discussed below in this Item 12, we will not operate or grant franchises for Spas within your Development Area until the earlier of the expiration or termination of the Development Agreement for any reason. The Designated Territory for each spa that you establish under the Development Agreement, individually and, in aggregate, will be smaller than your overall Development Territory. If you fail to timely develop and operate the requisite number of Spas as set forth in the Development Agreement, your right to develop and operate additional Spas in the Development Territory will be terminated. Once the Development Agreement expires or is terminated, you will not have any options, right of first refusal or similar rights for the acquisition of additional, establishment and/or development of additional Spas within the Development Territory or any adjoining or contiguous areas

Reserved Rights

As to the rights granted to you under the Franchise Agreement and, if applicable, the Development Agreement, we and our affiliates reserve to ourselves the exclusive right on any and all terms and conditions that we deem advisable and, without any compensation or consideration to you (Franchise Agreement, Article 2.D and Development Agreement, Article 2.3), to engage in the following activities (our "Reserved Rights"): (a) operate and grant to others the right to develop and operate Spas and Franchised Businesses using the System and Licensed Marks at locations outside your Designated Territory and, if applicable, Development Territory, as we deem appropriate and irrespective of the proximity to your Designated Territory and, if applicable, Development Territory; (b) acquire, merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as, or similar to, the Franchised Business, and after such acquisition, merger or affiliation to own and operate and to franchise, or license others to own and operate and to continue to own and operate such businesses of any kind, even if such businesses offer and sell products and services that are the same as or similar to a the Franchised Business (but not utilizing the Licensed Marks) within your Designated Territory and, if applicable, within your Development Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that offer and sell products and services that are the same as or similar to the Franchised Business, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate businesses that offer and sell products and services that are the same as or similar to the Franchised Business (but not utilizing the Licensed Marks) within your Designated Territory and, if applicable, your Development Territory; (d) operate, and grant to others the right to own and operate, a Spas in non-traditional sites including, but not limited to, shopping malls, airports, and big box retail stores, both within and outside your Designated Territory and, if applicable, your Development Territory; and (f) use the Licensed Marks and System and to license others to use the Licensed Marks and System, to engage in all other activities not expressly prohibited by the Franchise Agreement.

Additional Disclosures

The Franchise Agreement and, if applicable, the Development Agreement do not grant you any right to share in the proceeds received by us, our affiliates or any third-party from the activities outlined in the preceding paragraph as to our Reserved Rights including, soliciting or conducting business under our Reserved Rights within your Designated Territory. We do not grant you the right to use other channels of

distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing, to make sales outside your Designated Territory.

Your right to relocate your Spa is not guaranteed and is at our discretion. In evaluating your relocation request we will evaluate your compliance with your Franchise Agreement, your prior operational history, the location of other Spas, our expansion plans, your Designated Territory, demographics and other factors that, at the time of your request, are relevant to us.

We do not have plans to operate or franchise a business under trademarks different from the Licensed Marks that sells or will sell goods or services similar to those that will be offered by you through the Franchised Business.

ITEM 13
TRADEMARKS

Under the terms of the Franchise Agreement you will be granted a license to use the "Angels Spa" trademark and those other marks. Our chief executive officer, Truc Hien Tran Le, is the owner of the Licensed Marks and has granted to us a license with an initial twenty-year term and with automatic renewal thereafter to utilize the Licensed Marks and to license our franchisee's to utilize the Licensed Marks. We reserve the right to supplement and modify the marks that you may or may not use in the operations of the Franchised Business. You may only use the Licensed Marks in the manner authorized by us in writing and pursuant to the terms of the Franchise Agreement. You may not use the Licensed Marks in the name of the corporate entity that you may establish to own and operate the Franchised Business.

Principal Trademarks Not Registered with the United States Patent and Trademark Office
The following trademarks (the "Marks") are a part of our System, and, unless otherwise designated by us, will be used by you in the operations of the Franchised Business but are not registered with the United States Patent and Trademark Office ("USPTO"). As to each of the trademarks identified below:

We do not have a federal registration for each of these principal trademarks. Therefore, the trademarks identified below do not have many legal benefits and rights that are afforded to federally registered trademarks. If our right to use the trademarks (identified below) is challenged, you may have to change to an alternative trademark, which may increase your expenses.

Mark	Serial Number for Registration Application Filed With USPTO	Application Type	Application Date
Angels Spa	88733815	1A	December 19, 2019
Angel Spa	88867071	1A	April 10, 2021
	88741794	1B	December 30, 2019

There are no currently effective material determinations of the USPTO, the Trademark and Appeal Board, the trademark administrator in any state or any court, no pending infringement, opposition or cancellation proceedings; and no pending litigation involving the Marks. We know of no superior rights or infringing uses that could materially affect your use of the Marks or other related rights in any state.

You are required to provide us with written notice as to any claims that you may become aware of respecting the Licensed Marks including, but not limited to, your use of the Licensed Marks and/or a claim associated with a third-party's use of a trademark that is identical or confusingly similar to the Licensed Marks that we have licensed to you. We maintain the exclusive discretion to take any and all actions or, to refrain from any action, that we believe to be appropriate in response to any trademark infringement, challenge or claim. We possess the sole right to exclusively control any and all litigation, legal proceedings, administrative proceedings and/or settlements respecting any actual or alleged infringement, challenge or claim relating to the Licensed Marks. You must sign all documents, instruments and agreements and undertake the actions that we, with the advice of our legal counsel, determine to be necessary or advisable respecting the protection and/or maintenance of our interests in the Licensed Marks in any legal proceeding, administrative proceeding or as may be otherwise determined by us. As to the foregoing, we will reimburse you for the reasonable out-of-pocket administrative expenses that you incur and pay in complying with our written instructions.

We will protect your right to use the Licensed Marks and other related rights and to protect you against claims of infringement and unfair competition related to the Licensed Marks, provided that your use of the Licensed Marks is in accordance with the Franchise Agreement, the Manuals, and is consistent with our instructions and the license granted to you. We will indemnify you against direct damages for trademark infringement in a proceeding arising out of your use of the Licensed Marks, provided your use of the Licensed Marks comply with the terms of your Franchise Agreement, the Manuals, our written instructions to you and, you have timely notified us of the claim, have given us sole control of the defense and settlement of the claim, and you are in compliance with your Franchise Agreement and, if applicable, Development Agreement. If we defend the claim, we have no obligation to indemnify or reimburse you with respect to any fees or disbursements of any attorney that you retain.

If any third-party establishes, to our satisfaction and in our discretion that its rights to the Licensed Marks are, for any legal reason, superior to any of our rights or of a nature that we believe, in our discretion, that it is advisable to discontinue and/or modify the Licensed Marks, then we will modify and/or replace the Licensed Marks and you must use the substitutions, replacements and/or variations of and/or to the Licensed Marks and use the those trademarks, service marks, logos and trade names required designated by us. In such event, our sole liability and obligation will be to reimburse you for the direct out-of-pocket costs of complying with this obligation, which you must document to our satisfaction, including, by way of example, alterations in signage and replacement of marketing materials.

ITEM 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any patents**.** We have copyrighted or may copyright advertising materials and design specifications, our Manuals and other written materials and items. We have not applied to the United States Copyright Office to register these copyrights. We have not applied to the United States Patent and Trademark Office for the issuance of any patents.

You must keep as confidential our Manuals, any supplements to the Manuals and any other manuals or written materials (including those materials made available to you in electronic format or as part of an online or cloud based network that is a part of the System or designated by the System) used in connection with the Franchised Business. The Manuals contain information about our System, System Products and Services, System Supplies, proprietary products, marketing systems, and, among other things, confidential methods of operation. We consider the information a trade secret and extremely confidential. You must use all reasonable means to keep this information confidential and prevent any unauthorized copy, duplication, record or reproduction of this information. You must also require your employees to sign confidentiality agreements that will require them to keep confidential, both during and after their employment, all information designated by us as confidential. You must immediately inform us if you learn of any

unauthorized use, infringement or challenge to the copyrighted materials, proprietary or confidential information, including but not limited to our Manuals. We will take any and all action(s) (or refrain from same) that we determine, in our discretion, to be appropriate. We may control any action we choose to bring. We need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright or patent. If any third-party establishes to our satisfaction, in our discretion, that its right to these materials are superior, then you must modify or discontinue your use of these materials in accordance with our written instructions.

ITEM 15
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

The Franchise Agreement requires that you or, if you are a Corporate Entity, your designated managing shareholder, member or partner (your "Managing Owner") be personally responsible for the management and overall supervision of your Spa. Your Managing Owner must complete, to our satisfaction, our initial training program and be approved by us. While we recommend that your Managing Owner personally participate in the day-to-day management and on-site supervision and operations of your Spa, you may hire an operating manager to supervise and manage the day-to-day on-site operations of your Spa provided that your operating manager: (a) meets all of our minimum standards and criteria for managers; (b) completes our initial training program; and (c) signs our confidentiality agreements (an "Operating Manager"). At all times, your Spa must be managed and supervised on-site by either a Managing Owner or Operating Manager. If you own and operate multiple Spas then each Spa must be managed and supervised on-site by an Operating Manager.

You and, if you are a Corporate Entity, each of your members, shareholders and/or partners (collectively, "Owners"), must personally guarantee all of your obligations to us under the Franchise Agreement. Each Owner and the spouse of each Owner must personally guarantee your obligations to us under the Franchise Agreement (Franchise Agreement, Article 6 and, Franchise Agreement Exhibits 1 and 2). You and each Owner and spouse must also agree that during the term of the Franchise Agreement you will not participate in any business that in any way competes with the Franchised Business, and that for twenty-four (24) months after the expiration or termination of the Franchise Agreement (with said period being tolled during any periods of non-compliance), you will not participate in any competitive business located within and/or servicing customers located within your Designated Territory and a fifteen (15) mile radius surrounding your Designated Territory. Further you will not participate in any competitive business located within and/or servicing customers located within a fifteen (15) mile radius of any other Spa and/or the designated territory of any other Franchised Business. Your managers and all other employees and agents with access to our confidential information will be required by us to sign a confidentiality agreement (Franchise Agreement, Article 6 and, Franchise Agreement, Exhibit 4).

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only sell the System Products and Services as specified in the Manuals or otherwise approved by us in writing and may only sell the products and services required by us. We can change the products and services that you must offer. There is no limitation on our right to change the products and services offered and sold by Angels Spas. You are not limited to whom you may sell products and services of your Angels Spa, provided you do so exclusively from your Spa Location and as otherwise required by and in compliance with the standards we determine for the System.

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ITEM 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The Franchise Relationship Under a Single Unit Franchise Agreement

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

	Provision	Sections in Franchise Agreement	Summary
a.	Length of the franchise term	Article 2.B	The term is ten (10) years.
b.	Renewal or extension of the term	Article 15	If you meet our conditions for renewal you may renew your franchise for one additional ten (10) year term.
c.	Requirements for franchisee to renew or extend	Article 15	You must: not be in default of the Franchise Agreement; have complied with all material terms and conditions of your current Franchise Agreement; your owners and the spouses of your owners must be in compliance with and not have violated their agreements with us; give us one hundred and eighty (180) days prior written notice of your request to renew the Franchise Agreement; sign our then current form of franchise agreement and related agreements; sign a general release; pay a renewal fee; pay all monetary obligations owed to us; remodel and upgrade the facility for your Spa; and maintain the right to continue to occupy the Spa Location. Upon renewal, the then current form of franchise agreement that you will be required to sign may contain terms and conditions materially different from those in your previous franchise agreement.
d.	Termination by franchisee	Articles 16.B	You may terminate the Franchise Agreement only if you are in compliance with the Franchise Agreement and we fail to cure a material breach of the Franchise Agreement within thirty (30) days or, if the breach cannot be cured within thirty (30) days, then within such period of time that is reasonable to cure the breach.
e.	Termination by franchisor without cause	Not applicable	Not applicable. If you have also entered into a Development Agreement, termination of the Development Agreement does not, by itself, constitute cause for the termination of your single-unit Franchise Agreement(s).

	Provision	Sections in Franchise Agreement	Summary
f.	Termination by franchisor with "cause"	Articles 16.A	We can terminate if you are in default of the terms of the Franchise Agreement. If you have also entered into a Development Agreement, termination of the Development Agreement does not, by itself, constitute cause for the termination of your single-unit Franchise Agreement(s).
g	"Cause" defined-curable defaults	Articles 16.A(3)	You will have thirty (30) days to cure a default where you: fail to timely lease a location that we approve for your Spa; fail to timely develop your Spa; fail to timely open your Spa; your development and/or operation of your Spa violates federal, state or local laws, unless such violation poses a threat to public health or safety; fail to maintain insurance coverage that we require; fail to comply with our standards, systems or specifications as we may designate or as otherwise designated in the Operations Manual; refuse or fail to pay a supplier or vendor without legal justification; fail to operate your Spa in conformity with our System or otherwise violate the Franchise Agreement, except as to events of default that are not curable. You have ten (10) days to cure a failure to pay fees due to us or an affiliate of ours.
h.	"Cause" defined-non-curable defaults	Articles 16.A(1) and 16.A(2)	The following defaults cannot be cured where: you are deemed insolvent; you make an assignment for the benefit of creditors; admit in writing your inability to pay debts; you are adjudicated bankrupt or insolvent; you file a voluntary bankruptcy petition; a voluntary bankruptcy petition is filed against you and you fail to file a motion to vacate or dismiss the petition within sixty (60) days of its filing; you seek or acquiesce to the appointment of a trustee or receiver; a court orders the appointment of a trustee or receiver over the Franchised Business; execution is levied against the Franchised Business; a final judgment is entered against the Franchise Business and is not satisfied within thirty (30) days; you are dissolved; a lawsuit or action is commenced against the Franchised Business to foreclose on a lien on equipment of the Franchise Business and such action is not dismissed after sixty (60) days; real or personal property used by the Franchised Business is sold or levied by a sheriff or other law enforcement officer; you abandon or fail to continuously own and operate the Franchised Business; on three (3) or more occasions during the term of the Franchise Agreement you fail to timely submit records and/or reports to us; on three (3) or

Provision	Sections in Franchise Agreement	Summary
		more occasions during the term of the Franchise Agreement you fail to timely pay fees and/or other financial sums due to us; the Franchisee's Disclosure Questionnaire and Representations Agreement contains material omissions and/or misstatements; you attempt to transfer the Franchise Agreement and/or the assets of the Franchised Business without our prior written consent; you misuse, divulge or communicate to any unauthorized third party the confidential information and/or the contents of the Operations Manual; you engage in conduct that materially impairs our Licensed Marks or System and/or the goodwill and reputation of our Licensed Marks or System; you or an owner are convicted of a felony or plead guilty or nolo contendere to a felony; you or an owner engaged un dishonest or unethical conduct that, in our judgment, results in embarrassment to us, our Spas and/or the System; you underreport your gross sales and/or financial performance resulting in, in any instance, the underpayment, by five (5%) percent or more, of royalties and/or other fees due from you to us; you use equipment and/or supplies not approved by us; you fail to timely complete our training programs as designated by us and as determined in our discretion; engage in conduct and/or operations of the Franchised Business that poses an immediate threat or danger to public health or safety; you lose the right to occupy the facility and approved location of the Franchised Business; you fail to comply with Anti-Terrorism laws; you fail to immediately notify us of any know breach by a third-party of our Confidentiality Agreement; you misappropriate, misuse or otherwise make any unauthorized use of the Licensed Marks, the confidential information and/or the System; you fail to pay a fee due to us within ten (10) days' notice from us; and/or you fail, without legal justification, on more than three (3) occasions to pay a supplier or vendor of the Franchised Business.
i. Franchisee's obligations on termination/non-renewal	Articles 6 and 17	You must: pay all sums that you owe to us under the Franchise Agreement and all other agreements with us; cease owning and operating the Franchised Business; cease representing yourself as a franchisee of ours; permanently cease using and/or accessing the System, the Licensed Marks, our confidential information, the Operations Manual, the Business Management System, the Business Management System Data, and the System Supplies; return the

Provision		Sections in Franchise Agreement	Summary
			Operations Manual and all confidential information to us in the original form provided to you and document the destruction of all electronic files related to same; completely de-identify the location and/or facility associated with the Franchised Business; as requested by us, transfer to us all data, telephone listings, digital media, accounts, web listings and websites associated with the Franchised Business; and abide by the post-termination non-competition covenants and restrictions.
j.	Assignment of the contract by franchisor	Article 14.A	No restriction on our right to assign.
k.	"Transfer" by franchisee-definition	Article 14.B	A transfer means and includes, whether voluntary or involuntary, conditional or unconditional, direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.
l.	Franchisor's approval of transfer by franchisee	Article 14.B	Transfers require our prior written consent, which may be granted or withheld in our discretion.
m	Conditions for franchisor's approval of transfer	Article 14.C	Provide us with thirty (30) days prior written notice of the proposed transfer; you and your owners must not have defaulted in your obligations under the Franchise Agreement and all other agreements with us; you and your owners must be in compliance with your obligations under the Franchise Agreement and all other agreements with us; the transferee must agree to be bound by all of the terms and provisions of the Franchise Agreement; the transferee's owners and their spouses must personally guarantee all of the terms and provisions of the Franchise Agreement; you and your owners and their spouses must sign a general release in favor of us; the transfer must provide for the assignment and/or ownership of the approved location

Provision	Sections in Franchise Agreement	Summary
		for the Franchise Business, and the transferees continued use and occupancy of such location throughout the term of the Franchise Agreement; the assets of the Franchised Business must be transferred to the transferee; the transferee and the transferee's owners and managers, at the transferee's expense must complete our training programs; we waive our right of first refusal; and we approve of the transfer and transferee in writing and subject to our discretion; you pay the Transfer Fee.
n. Franchisor's right of first refusal to acquire franchisee's business	Article 14.F	We have the right to match any offer to purchase your Spa or the corporate entity operating your Spa.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability of franchisee	Article 14.D	If you are an individual, within thirty (30) days of the death or permanent disability of Franchisee, your executor and/or legal representative must appoint an Operating Manager approved by us and within sixty days of such appointment the Operating Manager must complete, to our satisfaction, our initial training program. Within twelve (12) months of the date of death or disability, the Franchise Agreement must be transferred to a transferee approved by us and otherwise transferred in accordance with the terms of the Franchise Agreement. If franchisee is a Corporate Entity, within thirty (30) days of the death or permanent disability of your Managing Owner, if there are other Owners, must appoint a replacement Operating Manager approved by us and within sixty days of such appointment the replacement Operating Manager must complete, to our satisfaction, our initial training program.
q. Non-competition covenants during the term of the franchise	Article 6	No involvement in any competitive business and must comply with confidentiality, non-disclosure and non-solicitation covenants.
r. Noncompetition covenants after the franchise is terminated or expires	Articles 6 and 17.C	No involvement, ownership or interest whatsoever I for three twenty-four months in any competing business in: your designated territory; a fifteen (15) mile radius of your designated territory; a fifteen (15) mile radius of the designated territory of any other

Provision	Sections in Franchise Agreement	Summary
		Spa; and you must comply with confidentiality, non-disclosure and non-solicitation covenants.
s. Modification of the agreement	Article 18.L	Requires writing signed by you and us, except for unilateral changes that we may make to the Manuals or our unilateral reduction of the scope of a restrictive covenant that we may make in our discretion.
t. Integration/merger clauses	Article 18.M	Only the terms of the Franchise Agreement and other written agreements are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Article 18.G	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Orange County, California and, if mediation is unsuccessful, then to binding arbitration in Orange County, California (Subject to applicable state law).
v. Choice of forum	Article 18.G	All mediation, arbitration and, if applicable, litigation proceedings must be conducted in, or closest to, Orange County, California (Subject to applicable state law).
w Choice of law	Article 18.F	California law will govern. However, this provision is subject to state law and as otherwise disclosed in Exhibit I to this Disclosure Document.

The Franchise Relationship Under a Development Agreement

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise and related agreements. You should read these provisions in the agreements attached to this Disclosure Document.

Provision	Sections in Development Agreement	Summary
a. Length of the franchise term	Section 3	Varies depending on the number of Spas to be developed and the Development Area. The agreement commences on the effective date and the term automatically expires at the earlier of the opening of the final Spa required for development, or the last day

Provision	Sections in Development Agreement	Summary
		of the calendar month in which the final Spa was required to be open under the Development Agreement.
b. Renewal or extension of the term	Not applicable	There is no renewal of the Development Agreement.
c. Requirements for franchisee to renew or extend	Not applicable	There is no renewal of the Development Agreement.
d. Termination by franchisee	Not applicable	There is no option for your termination of the Development Agreement.
e. Termination by franchisor without cause	Not applicable	We can terminate without cause only if you and we mutually agree, in writing, to terminate. Additionally, if you or your affiliate default under the terms of a single-unit Franchise Agreement and we terminate the single-unit Franchise Agreement, such termination shall also constitute a default of the Development Agreement and grounds upon which Franchisor may terminate the Development Agreement without affording any opportunity to cure.
f. Termination by franchisor with "cause"	Section 3.2	We may terminate your Development Agreement with cause. Your Development Agreement can be terminated by us if: (a) you abandon your obligations under the Development Agreement; (b) if you for four (4) consecutive months, or any shorter period that indicates an intent by you to discontinue your development of Spas within the Development Area; (c) if you become insolvent or you are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; (d) if you fail to meet your development obligations under the Development Schedule for any single Development Period including, but not limited to, your failure to establish, open and/or maintain the cumulative number of Spas in accordance with Development Schedule; and/or (e) if you or your affiliate default under the terms of a single-unit Franchise Agreement and we terminate the single-unit Franchise Agreement, such termination shall also constitute a default of the Development Agreement and grounds upon which we may terminate the Development Agreement.

	Provision	Sections in Development Agreement	Summary
g	"Cause" defined-curable defaults	Not applicable	Not applicable.
h.	"Cause" defined-non-curable defaults	Section 3.2	Your Development Agreement can be terminated by us if: (a) you abandon your obligations under the Development Agreement; (b) if you for four (4) consecutive months, or any shorter period that indicates an intent by you to discontinue your development of Spas within the Development Area; (c) if you become insolvent or you are adjudicated bankrupt, or if any action is taken by you, or by others against you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit or creditors or a receiver is appointed by you; (d) if you fail to meet your development obligations under the Development Schedule for any single Development Period including, but not limited to, your failure to establish, open and/or maintain the cumulative number of Spas in accordance with Development Schedule; and/or (e) if you or your affiliate default under the terms of a single-unit Franchise Agreement and we terminate the single-unit Franchise Agreement, such termination shall also constitute a default of the Development Agreement and grounds upon which we may terminate the Development Agreement.
i.	Franchisee's obligations on termination/non-renewal	Not applicable	You lose all rights under the Development Agreement. There are no renewal rights respecting the Development Agreement.
j.	Assignment of the contract by franchisor	Section 6	There are no restrictions on our right to assign.
k.	"Transfer" by franchisee-definition	Section 6	You have no right to transfer the Development Agreement.
l.	Franchisor's approval of transfer by franchisee	Section 6	You have no right to transfer the Development Agreement.
m	Conditions for franchisor's approval of transfer	Section 6	You have no right to transfer the Development Agreement.
n.	Franchisor's right of first refusal to acquire franchisee's business	Not applicable	Not applicable.

Provision	Sections in Development Agreement	Summary
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable.
p. Death or disability of franchisee	Not applicable	Not applicable.
q. Non-competition covenants during the term of the franchise	Not applicable	Not Applicable as to Development Agreement. However, each Spa developed pursuant to Development Agreement will be subject to non-competition covenants set forth in each respective Franchise Agreement.
r. Noncompetition covenants after the franchise is terminated or expires	Not applicable	Not Applicable as to Development Agreement. However, each Spa developed pursuant to Development Agreement will be subject to non-competition covenants set forth in each respective Franchise Agreement.
s. Modification of the agreement	Sections 5.4 and 7.11	Only by written agreement between you and us or if governing law requires a modification. We can change the form of the Franchise Agreement for future Spas which will not alter your obligations under the Development Agreement.
t. Integration/merger clauses	Section 7.12	Only the terms of the Development Agreement, Franchise Agreement and other written agreements are binding (subject to applicable state law). Notwithstanding the foregoing, nothing in any agreement is intended to disclaim the express representations made in the Franchise Disclosure Document, its exhibits and amendments.
u. Dispute resolution by arbitration or mediation	Section 7.6	Except for certain claims for injunctive relief, all disputes must first be submitted to non-binding mediation in Orange County, California and, if mediation is unsuccessful, then to binding arbitration in Orange County, California (Subject to applicable state law).
v. Choice of forum	Sections 7.5 and 7.6	All mediation, arbitration and, if applicable, litigation proceedings must be conducted in, or closest to, Orange County, California (Subject to applicable state law).
w Choice of law	Sections 7.5 and 7.6	California law will govern. However, this provision is subject to state law and as otherwise disclosed in Exhibit I to this Disclosure Document.

ITEM 18
PUBLIC FIGURES

We do not currently use any public figure to promote its franchise. No public figure is currently involved in our management.

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) 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.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. 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 Truc Hien Tran Le, Special Spa Franchising, Inc. at Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648 and (714) 312-9200, the Federal Trade Commission, and the appropriate state regulatory agencies.

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ITEM 20
OUTLETS AND FRANCHISEE INFORMATION

TABLE NO. 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2018 to 2020

OUTLET TYPE	YEAR	OUTLETS AT THE START OF THE YEAR	OUTLETS AT THE END OF THE YEAR	NET CHANGE
Franchised	2018	0	0	0
	2019	0	0	0
	2020	0	0	0
Company Owned	2018	1	1	0
	2019	1	1	0
	2020	1	1	0
Total Outlets	2018	0	0	0
	2019	0	0	0
	2020	0	0	0

TABLE NO. 2
TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS 2018 to 2020

STATE	YEAR	NUMBER OF TRANSFERS
None	2018	0
	2019	0
	2020	0

TABLE NO. 3
STATUS OF FRANCHISED OWNED OUTLETS
FOR YEARS 2018 to 2020

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
Totals	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0

TABLE NO. 4
STATUS OF COMPANY OWNED OUTLETS
FOR YEARS 2018 to 2020

State	Year	Outlets at start of year	Outlets Opened	Terminations	Non Renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of year
California	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
Totals	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

TABLE NO. 5
PROJECTED OPENINGS
AS OF JANUARY 1, 2021

State	Franchise Agreement Signed but Outlet Not Opened	Projected New Franchised Outlet in the Next Fiscal Year	Projected New Company Owned Outlets in the Next Fiscal Year
California	0	2	0
TOTAL	0	0	0

Notes to Tables:

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses with us that restrict them from discussing with you their experiences as a franchisee in our franchise system. There are no trademark-specific franchisee organizations associated with the franchise system being offered in this Franchise Disclosure Document.

Exhibit G to this Disclosure Document contains a list of our then current franchisees as of the end of the Issuance Date of this Disclosure Document.

Exhibit H to this Disclosure Document contains a list of franchisees that had an outlet terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under our franchise agreement during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document.

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

ITEM 21
FINANCIAL STATEMENTS

Attached as Exhibit D is our audited financial statements as of March 10, 2020 and December 31, 2020. Our fiscal year ends on December 31. We were established on January 28, 2021 and 2020 was our first year offering franchises. Because we have not been franchising for three years or more, we do not have three years of audited financial statements.

ITEM 22
CONTRACTS

Attached to this Disclosure Document or to the Exhibits attached to and comprising the Franchise Agreement attached to this Disclosure Document are copies of the following franchise and other contracts and agreements in use or proposed for use:

Exhibits to this Disclosure Document

Exhibit E	Franchise Agreement
Exhibit F	Development Agreement
Exhibit I	State Specific Addenda

Schedules and Exhibits to the Franchise Agreement

Schedule 1	Spa Location Acknowledgement
Schedule 2	Designated Territory Acknowledgment
Schedule 3	Statement of Franchisee's Owners
Exhibit 1	Franchise Owner and Spouse Agreement and Guaranty
Exhibit 2	Joinder Agreement
Exhibit 3	Franchisee Disclosure Questionnaire and Representations Statement
Exhibit 4	Confidentiality Agreement
Exhibit 5	Spa Location and Designated Territory Acknowledgment
Exhibit 6	Site Selection Acknowledgment
Exhibit 7	Lease Agreement Rider
Exhibit 8	Collateral Assignment of Lease
Exhibit 9	Assignment of Telephone Numbers and Digital Media Accounts
Exhibit 10	General Release
Exhibit 11	ACH Authorization Form

Schedules and Exhibits to the Development Agreement

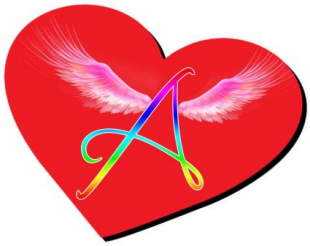
Schedule A	Development Territory
Schedule B	Statement of Franchisee's Owners

Individual state law may supersede the provisions contained in your Franchise Agreement and, if applicable, your Development Agreement respecting the requirement that you execute a general release as a condition to assignment, sale or transfer. See, the state specific addendums contained in Exhibit I of this Disclosure Document.

ITEM 23
RECEIPTS

Two copies of a detachable receipt in Exhibit K are located at the very end of this Disclosure Document. Please sign one copy of the receipt and return it to us at the following address Truc Hien Tran Le, Special Spa Franchising, Inc., Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648. The duplicate is for your records.

[THE DISCLOSURE DOCUMENT ENDS HERE]



FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT A
STATE ADMINISTRATORS

List of State Administrators

California
Department of Financial Protection and Innovation
320 West 4th Street Suite 750
Los Angeles, CA 90013

Commissioner of Financial Protection and Innovation
2101 Arena Boulevard
Sacramento, CA 95834
1-866-275-2677

Connecticut
Connecticut Banking Commissioner
Department of Banking
Securities & Business Investments Division
260 Constitution Plaza
Hartford, CT 06103

Florida
Division of Consumer Services
Attn: Business Opportunities
2005 Apalachee Parkway
Tallahassee, FL 32399

Hawaii
Franchise & Securities Division
State Department of Commerce
P.O. Box 40
Honolulu, HI 96813

Illinois
Office of the Attorney General
Franchise Bureau
500 South Second Street
Springfield, IL 62706

Indiana
Indiana Secretary of State
Indiana Securities Division
Franchise Section
302 W. Washington Street Room E-111
Indianapolis, IN 46204

Kentucky
Office of the Attorney General
Consumer Protection Division
Attn: Business Opportunity
1024 Capital Center Drive
Frankfort, KY 40601

Maine
Department of Professional and Financial Regulations
Bureau of Banking
Securities Division
121 Statehouse Station
Augusta, ME 04333

Maryland
Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, MD 21202

Michigan
Michigan Department of the Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
670 Law Building
PO Box 30213
Lansing, MI 48909

Minnesota
Minnesota Department of Commerce
Securities Division
85 7th Place East, Suite 280
St. Paul, MN 55101

Nebraska
Nebraska Department of Banking and Finance
Commerce Court
1230 O Street, Suite 400, Lincoln, NE 68509

New York
NYS Department of Law
Investor Protection Bureau
28 Liberty Street 21st Floor
New York, NY 10005
212-416-822

North Carolina
Secretary of State
Securities Division
300 North Salisbury Street, Suite 100
Raleigh, NC 27603

North Dakota
Office of Securities Commissioner
600 East Boulevard, 5th Floor
Department 414
Bismarck, ND 58505

List of State Administrators (continued)

Rhode Island
Department of Business Registration
Division of Securities
233 Richmond Street Suite 232
Providence, RI 02903

South Carolina
Office of the Secretary of State
1205 Pendleton Street
Edgar Brown Building, Suite 525
Columbia, SC 29201

South Dakota
Franchise Office
Division of Securities
910 E. Sioux Avenue
Pierre, SD 57501

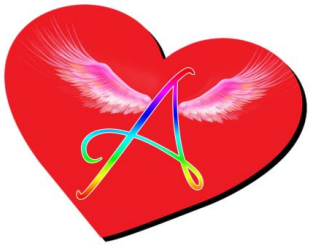
Texas
Office of the Secretary of State
Statutory Document Section
1019 Brazos Street
Austin, TX 78701

Utah
Utah Department of Commerce
Division of Consumer Protection
160 East Three Hundred South
PO Box 146704
Salt Lake City, UT 84114

Virginia
State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219

Washington
Department of Financial Institutions
Securities Division
PO Box 9033
Olympia, WA 98507

Wisconsin
Franchise Office
Wisconsin Securities Commission
PO Box 1768
Madison, WI 53701



FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT B
AGENTS FOR SERVICE OF PROCESS

Agents for Service of Process

Special Spa Franchising, Inc.,
Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648
Attn: Truc Hien Tran Le

California
Department of Financial Protection and Innovation
320 West 4th Street Suite 750
Los Angeles, CA 90013

Commissioner of Financial Protection and Innovation
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Washington Department of Financial Institutions
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Tumwater, WA 98501

Wisconsin
Wisconsin Commissioner of Securities
345 W Washington Avenue
Madison, WI 53703

FRANCHISE DISCLOSURE DOCUMENT

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SPECIAL SPA FRANCHISING, INC.

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FRANCHISE DISCLOSURE DOCUMENT

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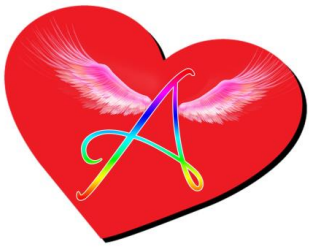

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT E
FRANCHISE AGREEMENT

Special Spa Franchising, Inc.

Angels Spa Franchise Agreement

_____

Franchisee Name

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ANGELS SPA FRANCHISE AGREEMENT

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ANGELS SPA FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement") is entered into on _____, 20__ ("Effective Date"), by and between Special Spa Franchising, Inc., a California Corporation with a principal place of business located at Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648, (the "Franchisor") and _____(the "Franchisee").

RECITALS

WHEREAS, Franchisor has developed a system (the "System") for the development and operation of an Angels Spa that offers and sells professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other approved products and services (the "System Products and Services") under the Licensed Marks (defined below) (each, a "Franchised Business", "Spa", or "Angels Spa");

WHEREAS, the System and, therefore, each Spa, is identified by the Licensed Marks and distinctive trade dress, service offerings, business formats, equipment, products, supplies, operating procedures, programs, methods, procedures, and marketing and advertising standards, all of which are part of the System and all of which Franchisor may modify from time to time; and

WHEREAS, Franchisee desires to obtain the non-exclusive license and right to use the System in the development and operation of one Spa from a single fixed location within a designated territory and pursuant to the terms of this Agreement.

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties do hereby agree, as follows:

ARTICLE 1
DEFINITIONS

Supplementing the terms and definitions contained in the foregoing "Recitals":

"**Accounting Period**" is the period of time selected and determined by Franchisor for the required measurement and reporting of financial information and payment of financial obligations by Franchisee. The applicable measurement period will be determined by Franchisor from time to time with respect to Franchisee's obligations to report financial information and data to Franchisor (including Gross Sales) and Franchisee's payment of all fees, including, but not limited to, Royalty Fees, Advertising Contributions, Technology Fees, and other on-going fees. The "Accounting Period" shall be a weekly period commencing not later than the earlier of the (a) Scheduled Business Commencement Date, or (b) the Actual Business Commencement Date of the Franchised Business and shall continue each and every week thereafter throughout the Term of this Agreement. As to the Technology Fee and all other fees that are payable and due monthly, the Accounting Period shall be a monthly period commencing not later than the earlier of the (a) Scheduled Business Commencement Date, or (b) the Actual Business Commencement Date of the Franchised Business and shall continue each and every month thereafter throughout the Term of this Agreement.

"**Actual Business Commencement Date**" refers to and means the date of the grand opening of the Franchised Business and/or the date upon which the Franchised Business is open to the public.

"**Advertising Contributions**" refers to and means any and all obligations of Franchisee to contribute to or pay fees to Franchisor, Franchisor's affiliate and/or designees as set forth in this Agreement

including, but not limited to, the Brand Development Fund Fee (Article 9.A) and Advertising Cooperative fees if designated by Franchisor (Article 9.F).

"**Advertising Cooperative**" shall have the meaning defined and set forth in Article 9.F. of this Agreement.

"**Ancillary Agreements**" refers to and means, individually and collectively, each and every agreement between: (a) Franchisor and Franchisee but, not including this Agreement; (b) Franchisor and each of Franchisee's Owners, whether individually and/or collectively; and (c) Franchisor and each Spouse of Franchisee's Owners, whether individually and/or collectively. Without limitation to the foregoing, the term Ancillary Agreements includes the Franchise Owner and Spouse Agreement and Guaranty, Joinder Agreement, Lease Agreement Rider, Collateral Assignment of Lease and the Assignment of Telephone Numbers and Digital Media Accounts, as said agreements, individually and/or collectively, may have been entered into between the foregoing parties.

"**Angels Spa(s)**" shall have the meaning defined in the Recitals section of this Agreement and, without limitation to the Recitals section definition of "Angels Spas", shall further include, refer to and mean: every business and all businesses owned and/or operated by Franchisor, Franchisor's affiliates and/or authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

"**Annual Conference Attendance Fee**" refers to and means an annual conference fee to be paid by Franchisee to Franchisor in an amount determined by Franchisor but not to exceed $750 annually.

"**Annual System Conference**" refers to and means a conference that may be established and organized by Franchisor for the purpose of facilitating networking among Angels Spa franchisees, and general education. Franchisor shall designate and determine whether or not an Annual System Conference shall occur and, if one is established in any particular year, the dates, content and location of the Annual System Conference. The Annual System Conference shall be for a duration of not more than three consecutive days per calendar year. Franchisee is responsible for all costs and expenses associated with Franchisee's travel to and attendance at the Annual System Conference.

"**Assignment of Telephone Numbers and Digital Media Accounts**" refers to and means the Assignment of Telephone Numbers and Digital Media Accounts agreement attached to this Agreement as Exhibit 9.

"**Brand Development Fund**" shall have the meaning defined and set forth in Article 9.A. of this Agreement.

"**Brand Development Fund Fee**" shall have the meaning defined and set forth in Article 9.A. of this Agreement.

"**Business Management System**" refers to and means the software, internet, web based and/or cloud based system or systems, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by Franchisor, in Franchisor's Reasonable Business Judgment, as being required for use by the Franchised Business. Franchisor reserves the right to modify and designate alternative Business Management Systems as Franchisor determines in Franchisor's Reasonable Business Judgment. At all times Franchisor shall possess direct live access and storage-based access to the Business Management System for the Franchised Business and to Franchisee's Business Management System Data.

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"**Business Management System Data**" refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System; (b) is entered by Franchisor or Franchisee into the Business Management System; (c) is recorded, stored and/or maintained by the Business Management System in connection with the Franchised Business.

"**Collateral Assignment of Lease**" refers to and means the Collateral Assignment of Lease agreement attached to this Agreement as Exhibit 8.

"**Competitive Business**" refers to and means any business that is the same as or similar to an Angels Spa including, but not limited to, any facial, nail, therapeutic massage, body and skincare services and treatments business and/or other businesses that offers, sells, and/or provides products and/or services similar to the System Products and Services that are authorized and designated by Franchisor as of the Effective Date of this Agreement and, as Franchisor may designate from time to time in the future.

"**Confidential Information**" refers to and means all of Franchisor's and/or Franchisor's affiliates trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date of this Agreement and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of Angels Spas; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by Angels Spas; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of Angels Spas; (d) customer lists and information related to Angels Spas and the Franchised Business; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

"**Confidentiality Agreement**" refers to and means the form of "Confidentiality Agreement" attached to this Agreement as Exhibit 4.

"**Controlling Interest**" a Controlling Interest shall exist for the following individuals, Owners, partners and/or entities: (a) (If Franchisee is a corporation) a controlling interest shall exist for such shareholders and Owners of the voting shares of stock of Franchisee as (i) shall permit voting control of Franchisee on any issue and/or (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (b) (If Franchisee is a general partnership) a controlling interest shall exist for such partners and Owners that possess a managing partnership interest or such percentage of the general partnership interests in Franchisee as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination, or entity from blocking voting control on any issue or exercising any veto power; (c) (If Franchisee is a limited partnership) a controlling interest shall exist for such partners and Owners that possess a general partnership interest; and (d) (If Franchisee is a limited liability company) a controlling interest shall exist for such members and Owners that possess a percentage of the membership interests as (i) shall permit determination of the outcome on any issue, and (ii) shall prevent any other person, group, combination or entity from blocking voting control on any issue or exercising any veto power.

"**Copyrights**" refers to and means all works and materials for which Franchisor or any affiliate of Franchisor has secured common law or registered copyright protection and Franchisor utilizes and/or allows Angels Spa franchisees to use, sell or display in connection with the development, marketing and/or operation of an Angels Spa, whether as of the Effective Date of this Agreement or any time in the future.

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"**Corporate Entity**" refers to and means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

"**Customer Vouchers**" refers to and means any and all gift cards, vouchers, receipts, cards and other evidence of a pre-paid purchase transaction (for goods and/or services and whether in electronic form, printed form, card or otherwise) concerning an Angels Spa.

"**Designated Territory**" refers to and means the territory identified and described in Schedule 2 attached to and made a part of this Agreement or, if Schedule 2 is not completed at the time of signing this Agreement, in accordance with Exhibit 5 to this Agreement. Franchisor, in Franchisor's Reasonable Business Judgment and discretion, shall determine the Designated Territory.

"**Digital Media**" refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, and YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to, Angels Spas, the Franchised Business, the Licensed Marks, the System and/or Franchisor. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

"**Due Date**" shall have the meaning defined and set forth in Article 5.B. of this Agreement.

"**Effective Date**" shall be the date set forth, defined and referred to in the first paragraph of this Agreement.

"**Franchise Disclosure Questionnaire and Representations Statement**" refers to and means the form of "Franchise Disclosure Questionnaire and Representations Statement" attached to this Agreement as Exhibit 3.

"**Franchise Owner and Spouse Agreement and Guaranty**" refers to and means the form of agreement attached to this Agreement as Exhibit 1. The Franchise Owner and Spouse Agreement and Guaranty is an agreement and guarantee individually, jointly and severally entered into by the Owners and Spouses of Franchisee.

"**Franchised Business**" refers to and means the Angels Spa that Franchisee shall develop and is required to establish, maintain and operate as part of the System and in accordance with the terms, conditions and obligations set forth in this Agreement and the Operations Manual.

"**Franchisee's Spa Facility**" refers to and means the Spa Facility from which Franchisee establishes, operates and manages the Franchised Business. Franchisee's Spa Facility must be located at a Spa Location that has been approved by Franchisor.

"**Franchisee's Spa Location**" shall have the meaning defined and set forth in Article 2.A. of this Agreement. Franchisee's Spa Location must be designated in accordance with either Schedule 1 or Exhibit 5 of this Agreement and must be approved by Franchisor, in Franchisor's Reasonable Business Judgment.

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"**Franchisor's Reasonable Business Judgment**" refers to, means and relates to any and all decisions, actions and choices made by Franchisor concerning or relating to this Agreement, the System, Angels Spas and the Franchised Business where Franchisor undertakes or makes such decision with the intention of benefitting or acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining designated territory markets, minimizing potential customer confusion as to the location of Angels Spas, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. Franchisee agrees that when a decision, determination, action and/or choice is made by Franchisor in Franchisor's Reasonable Business Judgment that such decision, determination, action or choice made by Franchisor shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee agrees that in connection with any decision, determination, action and/or choice made by Franchisor in Franchisor's Reasonable Business Judgment that: (a) Franchisor possesses a legitimate interest in seeking to maximize Franchisor's profits; (b) Franchisor shall not be required to consider Franchisee's individual economic or business interests as compared to the overall System; and (c) should Franchisor economically benefit from such decision, determination, action and/or choice that such economic benefit to Franchisor shall not be relevant to demonstrating that Franchisor did not exercise reasonable business judgment with regard to Franchisor's obligations under this Agreement and/or with regard to the System. Franchisee agrees that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for Franchisor's Reasonable Business Judgment. Franchisee further agrees that should Franchisee challenge Franchisor's Reasonable Business Judgment in any legal proceeding that Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that Franchisor failed to exercise Franchisor's Reasonable Business Judgment.

"**GAAP**" refers to and means United States Generally Accepted Accounting Principles.

"**Gross Sales**" refers to and means the total dollar sales from all business and customers of the Franchised Business and includes the total gross amount of revenues and sales from whatever source derived, whether in form of cash, credit, agreements to pay or other consideration including the actual retail value of any goods or services traded, borrowed, or received by Franchisee in exchange for any form of non-money consideration (whether or not payment is received at the time of the sale), from or derived by Franchisee or any other person or Corporate Entity from business conducted or which started in, on, from or through the Franchised Business, Franchisee's Spa Location, and/or Franchisee's Spa Facility whether such business is/was conducted in compliance with or in violation of the terms of this Agreement. Supplementing the foregoing, Gross Sales further includes the total gross amount of revenues and sales from whatever source derived from and/or derived by Franchisee (including any person and/or Corporate Entity acting on behalf of Franchisee) from business conducted within and/or outside the Designated Territory that is related to the Franchised Business and/or a Competitive Business located and/or operated at Franchisee's Spa Location, at Franchisee's Spa Facility, within the Designated Territory, outside the Designated Territory, and/or otherwise (the foregoing does not constitute approval for Franchisee's operation of a Competitive Business and/or the operation of an Angels Spa outside of the Designated Territory). Gross sales do not include sales or use taxes collected by Franchisee. Gross Sales includes proceeds received by Franchisee for the purpose of replacing lost revenue and/or sales related to the Franchised Business.

"**Immediate Family**" refers to and means the spouse of a person and any other member of the household of such person, including, without limitation, children of such person.

"**Insurance Review Fee**" shall have the meaning defined and set forth in Article 8 of this Agreement.

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"**IP Claim**" shall have the meaning defined and set forth in Article 11.E of this Agreement.

"**Joinder Agreement**" refers to and means the form "Joinder Agreement" attached to this Agreement as Exhibit 2.

"**Know-How**" refers to means Franchisor's trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of an Angels Spa including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

"**Lease Agreement Rider**" refers to and means the form "Lease Agreement Rider" attached to this Agreement as Exhibit 7.

"**Licensed Marks**" refers to and means the trademarks, service marks, emblems and indicia of origin, including the "Angels Spa" trademark, the Angels Spa logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by Franchisor in connection with the identification of Angels Spas and the System Products and Services, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by Franchisor in Franchisor's Reasonable Business Judgment.

"**Managers**" refers to and means the Managing Owner plus all assistant managers of the Franchised Business and all other employees, independent contractors, consultants, directors, officers and board members who may possess access to the Confidential Information.

"**Managing Owner**" if Franchisee is a partnership or Corporate Entity, the Managing Owner shall be the Owner responsible for the day-to-day oversight, management and operation of the Franchised Business. The Managing Owner must possess and maintain an ownership and equity interest in the Franchisee such that said individual owns, holds and controls not less than 25% of the equity and ownership interests in Franchisee. At all times, the Managing Owner must manage the operations of the Franchised Business.

"**Noncompliance Fee**" refers to and means a fee payable by Franchisee in an amount equal to the amount of fees, costs and expenses that Franchisor incurs respecting the enforcement of Franchisor's rights under this Agreement in response to a default by Franchisee and/or Franchisee's breach of the terms or conditions of this Agreement. Said costs and expenses shall include any and all reasonable administrative fees, legal fees, mediation and mediator fees, arbitration and arbitrator fees, legal disbursements, mediation disbursements, arbitration disbursements, consultant fees, expert fees, accounting fees and filing fees. Recoverable legal fees also includes legal fees and charges incurred by Franchisor with Franchisor's outside legal counsel and the reasonable costs incurred by Franchisor as to Franchisor's in-house legal staff.

"**Notice Period**" shall have the meaning defined and set forth in Article 16.A of this Agreement.

"**Operating Manager**" refers to and means the Manager designated by Franchisee or Franchisee's Managing Owner, that is charged with the obligation and responsibility to supervise and manage (on-site at Franchisee's Spa Facility) the day-to-day operations of the Franchised Business. At all times, the Operating Manager must: (a) meet all of Franchisor's minimum training and brand quality control standards and criteria for managers as may be set forth in the Operations Manual; (b) successfully complete Franchisor's initial training program; (c) sign the Confidentiality Agreement; and (d) agree,

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in writing, to assume responsibility for the on-site management and supervision of the Franchised Business.

"**Operations Manual**" refers to and means, individually and collectively, the manual(s) designated by Franchisor and relating to the development and/or operations of Angels Spas including, but not limited to, the policies, procedures and requirements for the development and operation of Angels Spas. The Operations Manual may consist of one of more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to Franchisor's modification from time to time and based on Franchisor's Reasonable Business Judgment, the Operations Manual shall, among other things, designate the System Products and Services that must be offered and provided by the Franchised Business and the Spa System Supplies that must be exclusively utilized by the Angels Spa. Only System Products and Services may be offered and sold by the Franchised Business. Only System Supplies may be utilized by Franchisee in the operations of the Franchised Business.

"**Owner**" refers to and means collectively, individually and jointly: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company, (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s). Franchisee's Owners are identified in Schedule 3 to this Agreement.

"**Post-Term Restricted Period**" refers to and means the twenty-four (24) month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Post-Term Restricted Period" means the eighteen (18) month period after the earliest to occur of the following: (a) the expiration or termination of this Agreement for any reason; or (b) the date on which Franchisee Transfers this Agreement to another person or Corporate Entity.

"**Product or Supplier Noncompliance Fee**" refers to and means the fee(s) payable by Franchisee to Franchisor in the amount of: (a) One Thousand ($1,000) Dollars per day for each and every day where Franchisee, in the operations and/or management of the Franchised Business, fails to exclusively use the System Products, Equipment and Services and/or fails to exclusively offer and provide the System Products and Services; plus (b) the amount of costs and expenses that Franchisor incurs respecting the enforcement of Franchisor's rights under this Agreement in response to a default by Franchisee for using unauthorized products, services, supplies, and/or sources of supply. Said costs and expenses shall include any and all reasonable administrative fees, legal fees, legal disbursements, consultant fees, expert fees, accounting fees and filing fees. Recoverable legal fees shall include legal fees and charges by both outside legal counsel and/or incurred by Franchisor as to Franchisor's in-house legal staff. Payment of the foregoing fee(s) does not cure a violation or permit Franchisee to violate the terms of this Agreement.

"**Prohibited Activities**" shall have the meaning defined and set forth in Article 6.D. of this Agreement.

"**Published Content**" refers to and means any and all information, data, articles, blog posts, press releases, frequently asked questions, special offers, product information, service information, web posts, videos and other information relating to or concerning the Franchised Business, the System, or

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the Licensed Marks that is or was made available by Franchisee or Franchisee's agents to the public in print or electronic media that is published, listed, made available, uploaded on, downloaded to or posted to Digital Media.

"**Renewal Fee**" shall have the meaning defined and set forth in Article 15.A. of this Agreement. The Renewal Fee is a fixed sum of $7,000.

"**Renewal Term**" refers to and means the ten (10) year period that commences on the expiration of the Term and continues, unless earlier terminated pursuant to the terms of the then applicable Angels Spa renewal franchise agreement, for the ten (10) year period thereafter. The Renewal Term applies only if Franchisee is entitled to invoke and does invoke Franchisee's renewal rights in accordance with the terms of this Agreement including, but not limited to, Article 15 of this Agreement and the applicable Angels Spa renewal franchise agreement.

"**Reserved Rights**" shall have the meaning defined and set forth in Article 2.D. of this Agreement.

"**Restricted Territory**" refers to and means the geographic area: (a) comprising Franchisee's Designated Territory; (b) comprising a fifteen (15) mile radius surrounding Franchisee's Designated Territory (or, if Franchisee is not granted or designated a designated territory, then a fifteen (15) mile radius surrounding Franchisee's Spa Location); (c) comprising a fifteen (15) mile radius surrounding the Spa Locations for all other Angels Spas operating and/or under development as of the Effective Date of this Agreement; and (d) comprising a fifteen (15) mile radius surrounding the Spa Locations for all other Angels Spas that are in operation or under development during all or any part of the Post-Term Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area comprising Franchisee's Designated Territory plus a fifteen (15) mile radius surrounding Franchisee's Designated Territory or, if Franchisee is not granted or designated a designated territory, then a fifteen (15) mile radius surrounding Franchisee's Spa Location.

"**Royalty Fee**" shall have the meaning defined and set forth in Article 5.B. of this Agreement. If any federal, state or local tax other than an income tax is imposed upon the Royalty Fee paid by Franchisee to Franchisor which, Franchisor cannot directly and, dollar of dollar, offset against taxes required to be paid by Franchisor under any applicable federal or state laws, Franchisee must compensate Franchisor in the manner prescribed by Franchisor so that the net amount or net rate received by Franchisor is not less than that which has been established by this Agreement and which was due to Franchisor on the effective date of this Agreement.

"**Royalty Report**" shall have the meaning defined and set forth in Article 5.B. of this Agreement.

"**Scheduled Business Commencement Date**" refers to and means the date that occurs on the nine (9) month anniversary of the Effective Date of this Agreement.

"**Spa Facility**" refers to and means the fixed commercial facility including, the fixtures and improvements, from which Angels Spas are established, operated and managed.

"**Site Selection Acknowledgment**" refers to and means the form "Site Selection Acknowledgment" attached to this Agreement as Exhibit 6.

"**Site Selection Area**" shall have the meaning defined and set forth in Article 2.A.(4) of this Agreement.

"**Site Selection Period**" refers to and means the period of time commencing on the Site Selection Acknowledgment Date (as such date may be set forth by Franchisor, and only Franchisor, in the Site

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Selection Acknowledgment) and automatically expiring sixty (60) calendar days after the Site Selection Acknowledgment Date. If the Site Selection Acknowledgment Date is not set forth and acknowledged by Franchisor in the Site Selection Acknowledgment then, the Site Selection Period shall be zero (o) days. If the Site Selection Acknowledgment is not signed by Franchisor, then there shall be no Site Selection Period.

"**Spa Location(s)**" refers to and means the fixed locations from which Angels Spa are established, operated and managed.

"**Spouse**" refers to and means the legal spouse of an Owner as of the Effective Date.

"**Supplemental Training**" shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Supplemental Training Fee"** shall have the meaning defined and set forth in Article 4.A. of this Agreement.

"**Supplier Evaluation Fee**" refers to and means the fee determined by Franchisor, in Franchisor's Reasonable Business Judgment, based on the fees and/or expenses incurred by Franchisor in connection with the evaluation of a request by Franchisee for Franchisor's consideration and/or review of a potential supplier. Under no circumstance is Franchisor required to approve of suppliers requested by Franchisee.

"**System**" shall have the meaning defined in the "Recitals" section of this Agreement and is further supplemented, as follows: without limitation to the Recitals section of this Agreement and supplementing the definition and meaning of the term "System", System shall be defined to further include and mean: (a) the System Products and Services, System Supplies and the services, procedures and systems that are designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by Franchisor, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by Franchisor in Franchisor's Reasonable Business Judgment.

"**System Supplies**" refers to and means the products, equipment, supplies, inventory, materials and services including, but not limited to, branded and unbranded beauty and skincare products and branded merchandise, uniforms, displays, and merchandise, and the Business Management System designated by Franchisor in the Operations Manual and, as may be modified and supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment, as being required for the development and operation of the Franchised Business and the sale of System Products and Services.

"**System Products and Services**" shall have the meaning defined in the "Recitals" section of this Agreement and shall further refer to and mean those products and services that Franchisor authorizes for sale by Angels Spas. Franchisor shall exclusively designate and determine the System Products and Services and Franchisor, in Franchisor's Reasonable Business Judgment, may change, modify, reduce or supplement the System Products and Services that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that Franchisor may make from time to time and Franchisor's

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right to change and modify the System Products and Services, shall designate the System Products and Services that must be offered and sold by the Franchised Business.

"**System Website**" refers to and means the web page and/or pages located on the world wide web at angelspausa.com URL (uniform resource locator) and shall further include all webpages and subdomains (including those that are franchisee and/or geography specific) that are a part of angelspausa.com, or as designated by Franchisor being associated with the URL of angelspausa.com and/or Angels Spas.

"**Technology Fee**" shall have the meaning defined and set forth in Article 5.C. of this Agreement and is supplemented, as follows: the Technology Fee is an administrative fee associated with defraying certain costs incurred by Franchisor in connection with the maintenance of the angelspausa.com website. The Technology Fee is not specific to any services or content provided on behalf of Franchisee.

"**Term**" refers to and means the period of time set forth and defined in Article 2.B. of this Agreement and, the Renewal Term if Franchisee invokes Franchisee's renewal rights in accordance with the terms of this Agreement.

"**Trade Dress**" refers to and means the Angels Spa designs, images, marketing materials, packaging, branding and/or branding images which Franchisor authorizes and requires Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by Franchisor from time to time.

"**Training Program**" shall have the meaning defined and set forth in Article "4.A" of this Agreement.

"**Transfer**" refers to and means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

"**Transfer Fee**" shall have the meaning defined in Article 14.C.(11) of this Agreement. The Transfer Fee is a fixed sum of $15,000.

ARTICLE 2
GRANT OF FRANCHISE

2.A. GRANT OF FRANCHISE

Franchisee has requested that Franchisor grant to Franchisee the non-exclusive license and right to develop, own and operate an Angels Spa from a fixed Spa Location within a specified territory. Relying on the representations made by Franchisee and/or Franchisee's Owners in any submitted application and during the application process, including, without limitation, the Franchise Disclosure Questionnaire and Representations Statement attached to this Agreement as Exhibit 3 and, subject to the terms and conditions of this Agreement, Franchisee's request has been approved by Franchisor, subject to the following terms and conditions:

(1) During the Term of this Agreement and subject to the rights of Franchisor including, but not limited to, the Reserved Rights, Franchisor grants to Franchisee and Franchisee accepts, the non-

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exclusive license, right and obligation to develop and operate, one (1) Angels Spa in conformity with the System and this Agreement from a single fixed location, selected by Franchisee but requiring the approval of Franchisor ("Franchisee's Spa Location") and, as designated by Franchisor in Franchisor's discretion and Reasonable Business Judgment, within a Designated Territory;

(2) If, as of the Effective Date, Franchisee has selected a proposed Spa Location that Franchisor approves as Franchisee's Spa Location, then Franchisee's Spa Location shall be identified in Schedule 1 of this Agreement and, Franchisee's Designated Territory shall be identified in Schedule 2 of this Agreement. Franchisor's execution of Schedule 1 with a specific location for Franchisee's Spa Location shall constitute Franchisor's approval of Franchisee's Spa Location. Franchisee's execution of Schedule 1 with a specific location for Franchisee's Spa Location shall constitute Franchisee's obligation to develop and operate an Angels Spa at the designated Franchisee Spa Location;

(3) If, as of the Effective Date, Franchisee has not selected a proposed Spa Location, and/or has not obtained Franchisor's approval of the proposed Spa Location, and/or Schedule 1 to this Agreement is left incomplete or is not signed by Franchisor, Franchisee must locate, identify and secure a Spa Location for the Franchised Business in accordance with the terms of this Agreement, including the requirement that Franchisee must obtain Franchisor's approval of Franchisee's Spa Location. If, after the Effective Date, Franchisee proposes and Franchisor approves of Franchisee's proposed Spa Location, such approval must be in writing and must be evidenced by Franchisor's execution of Exhibit 5 with a specific Spa Location designated and identified in Exhibit 5. At the time of executing Exhibit 5 and, thereby, approving Franchisee's proposed Spa Location, Franchisor, in Franchisor's discretion and Reasonable Business Judgment, shall designate and determine Franchisee's Designated Territory;

(4) If, as of the Effective Date or other appropriate periods after the Effective Date, Franchisee has not selected a proposed Spa Location that is approved by Franchisor but, Franchisee has identified an area in which Franchisee may look to secure a spa for the Franchised Business, Franchisor, in Franchisor's discretion and Reasonable Business Judgment, may enter into the Site Selection Acknowledgment attached to this Agreement as Exhibit 6. If executed by Franchisor, within the Exhibit 6 Site Selection Acknowledgment, Franchisor shall designate a geographic area (the "Site Selection Area") within which Franchisor, during the Site Selection Period, shall not, on behalf of any third-party, approve any new Spa Location. Franchisee agrees that the Site Selection Acknowledgment does not, in any way, constitute the approval of Franchisor as to any proposed Spa Location, does not constitute or determine Franchisee's final approved Spa Location, does not constitute Franchisor's designation of Franchisee's Designated Territory, does not afford Franchisee any territorial rights in or to the Site Selection Area, and does not extend and/or modify any obligation on the part of Franchisee to timely secure an approved Spa Location in accordance with the terms of this Agreement;

(5) At all times, Franchisee's rights in and to the real property and the business premises of Franchisee's Spa Location shall be subordinate and subject to Franchisee's and Franchisee's landlord's agreement to and execution of the Spa Location Lease Agreement Rider attached to this Agreement as Exhibit 7 and, Franchisee's agreement and execution of the Collateral Assignment of Lease attached to this Agreement as Exhibit 8;

(6) Franchisee may only offer and sell the System Products and Services from Franchisee's Spa Location in accordance with the requirements set forth in the Operations Manual;

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(7) Franchisor, in Franchisor's Reasonable Business Judgment and for any reason or no reason at all, may prohibit Franchisee from soliciting customers located outside Franchisee's Designated Territory;

(8) Except as otherwise provided in this Agreement including, but not limited to, the Reserved Rights, provided that, at all times Franchisee is and remains in compliance with all of the terms and provisions of this Agreement, during the Term of this Agreement, neither Franchisor nor any affiliate of Franchisor will establish or operate, or grant a franchise to any third-party to establish or operate, a Spa using the Licensed Marks and System at a Spa Location that is located within Franchisee's Designated Territory (provided that a Designated Territory has been designated and approved by Franchisor in accordance with the terms of this Agreement). Notwithstanding the foregoing, Franchisee agrees that Franchisee may face competition from other Angels Spas and other System franchisees with Spas locations and/or designated territories, including Spas that are located adjacent to and/or within a close proximity to Franchisee's Spas and/or Designated Territory. Franchisee agrees that although Franchisor may disapprove of any marketing medium that is distributed and/or reaches outside of Franchisee's Designated Territory, that Franchisor is not obligated to do so and that Franchisee may face competition from other Angels Spas and System franchisees that market and promote their Angels Spas through internet, mail, public relations, and other marketing activities and mediums that are distributed to or within Franchisee's Designated Territory. Franchisee agrees that Franchisee shall not receive any compensation whatsoever if Franchisor or another System franchisee solicits customers from within Franchisee's Designated Territory; and

(9) The foregoing rights granted in this Article 2.A. are subject to and contingent upon each and every, term and condition of this Agreement, the rights of any prior user, and are non-exclusive and subordinate to the Reserved Rights.

2.B. TERM

Unless previously terminated pursuant to the terms of this Agreement, the term of this Agreement will be for a period of ten (10) years, commencing as of the Effective Date (the "Term").

2.C. OWNERS AND SPOUSE AGREEMENT, INDIVIDUAL GUARANTEES, CONFIDENTIALITY AND RESTRICTIVE COVENANTS

If Franchisee is, at any time, a Corporate Entity, Franchisee agrees that each Owner and their respective Spouse shall execute, sign and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and, in doing so, among other things, will jointly and severally guarantee Franchisee's obligations and personally bind themselves to confidentiality and non-competition covenants and restrictions. Without limitation to and as a supplement to the foregoing, each Owner shall be bound by the provisions, obligations and responsibilities set forth in this Agreement by executing the Joinder Agreement attached to this Agreement as Exhibit 2.

2.D. RESERVATION OF RIGHTS

Franchisor on behalf of itself, its affiliates and its assigns retains all rights, on any and all terms and conditions that Franchisor deems advisable and without any compensation or consideration to Franchisee to engage in the following activities (the "Reserved Rights"): (a) operate and grant to others the right to operate a Franchised Business, Angels Spa and/or other spas using the System and Licensed Marks at locations outside Franchisee's Designated Territory; (b) acquire or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive Businesses, and after such acquisition, merger or affiliation to own and operate and to franchise or license others to own and operate and to continue to own and operate such businesses, including Competitive Businesses (but not utilizing the Licensed Marks) within Franchisee's Designated Territory; (c) be acquired by or merge with or otherwise affiliate with one or more businesses of any kind, including businesses that are Competitive

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Businesses, even if such business or businesses presently or, in the future, own and operate and franchise or license others to own and operate such businesses, including Competitive Businesses (but not utilizing the Licensed Marks) within Franchisee's Designated Territory; (d) operate and grant to others the right to operate an Angels Spa at non-traditional sites including, but not limited to, shopping malls, airports, and big box retail stores, both within and outside Franchisee's Designated Territory; and (f) use the Licensed Marks and System and to license others to use the Licensed Marks and System to engage in all other activities not expressly prohibited by this Agreement.

2.E. MODIFICATION OF SYSTEM

Franchisor, in Franchisor's Reasonable Business Judgment, reserves the right, at all times, to supplement, modify, alter and/or amend the System including any and/or all components of the System. Franchisee shall promptly comply with all such modifications to the System whether such modification results in the addition, subtraction, modification and/or enhancement to any and/or all components of the System. Franchisor shall provide Franchisee with a reasonable time period to comply with any change or modification to the System which shall be communicated to Franchisee by Franchisor including, but not limited to, communication through the Operations Manual. Franchisor's modifications to the System shall not materially alter Franchisee's fundamental rights under this Agreement.

2.F. OWNERSHIP OF CORPORATE ENTITY

If Franchisee is at any time a Corporate Entity, Franchisee represents that the information contained in Schedule 3 to this Agreement is true and accurate.

ARTICLE 3
LOCATION, DEVELOPMENT, OPENING AND OPERATION OF THE FRANCHISED BUSINESS

3.A. FRANCHISED BUSINESS LOCATION

Franchisee shall develop, operate and manage the Franchised Business from a Spa Facility that is constructed and established at a Spa Location, that: (a) was identified and evaluated by Franchisee; (b) complies with the terms and conditions of this Agreement; (c) satisfies and meets Franchisor's standards and specifications; (d) is timely presented by Franchisee to Franchisor for approval as Franchisee's proposed Spa Location; (e) is approved by Franchisor as Franchisee's Spa Location; (f) is timely secured by Franchisee within one hundred and twenty (120) days of the Effective Date of this Agreement, as evidenced by a binding lease with a duration equal to the full Term of this Agreement; (g) is and, at all times, shall be exclusively dedicated to the operation of the Franchised Business; (h) is located within the Designated Territory, if Franchisor previously designated and approved, in writing, a Designated Territory; and (i) otherwise meets the terms and conditions of this Agreement and Franchisor's standards and specifications.

Franchisee will not lease, purchase or otherwise acquire a proposed Spa Location until such information as Franchisor may require as to the proposed Spa Location has been provided to Franchisor by Franchisee and, Franchisor has approved the location in accordance with the terms and conditions of this Agreement including, but not limited to, Article 2.A. of this Agreement. Franchisor shall respond to Franchisee's request for approval of a proposed Spa Location within a reasonable time period but not exceeding thirty (30) days following Franchisor's receipt, from Franchisee, of complete written information about Franchisee's proposed Spa Location. If Franchisor rejects or disapproves Franchisee's proposed Spa Location, Franchisee must nevertheless identify and obtain Franchisor's approval of a proposed Spa Location within the time requirements set forth in this Agreement. Franchisor's disapproval of a proposed Spa Location shall not serve as a basis to extend any deadline or requirement set forth in this Agreement.

Franchisor's approval of Franchisee's proposed Spa Location is not and does not constitute a representation or warranty by Franchisor of any kind other than that Franchisor does not object to or disapprove of

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Franchisee's proposed Spa Location. No provision of this Agreement shall be construed or interpreted to impose an obligation on Franchisor to locate a Spa Location for the Franchised Business, to assist Franchisee in the selection of a suitable Spa Location for the Franchised Business or to provide assistance to the Franchisee in the purchase or lease of a Spa Location. If Franchisee leases Franchisee's Spa Location, Franchisee must use Franchisee's best efforts to ensure that the landlord signs the Lease Agreement Rider that is attached to this Agreement as Exhibit 7. If Franchisee's landlord refuses to sign the Lease Agreement Rider in substantially the same form as the attached Exhibit 7, such refusal may constitute grounds upon which Franchisor refuses to approve Franchisee's proposed Spa Location.

3.B. DEVELOPMENT OF THE FRANCHISED BUSINESS

Franchisee shall develop and construct Franchisee's Spa Facility and Spa Location in accordance with Franchisor's standards and specifications and using only those types of construction materials, decorating materials, furniture, fixtures, equipment, trade dress signs, suppliers, advisors and contractors that Franchisor has approved in the Operations Manual, in supplements to the Operations Manual or as Franchisor otherwise designates and approves of in a writing specifically directed to Franchisee and signed by Franchisor.

Franchisee's Spa Facility and Franchisee's Spa Location must be constructed and established in accordance with Franchisor's plans and specifications. Promptly after signing a lease or closing on a purchase of the premises of Franchisee's Spa Location, Franchisor shall provide Franchisee with Franchisor's generalized prototype plans and specifications. Prior to constructing, equipping and building out Franchisee's Spa Facility and Franchisee's Spa Location, Franchisee shall:

(1) Prepare and submit to Franchisor for approval, which approval, specific plans and specifications prepared by the design consultants designated or approved by Franchisor and hired by Franchisee, at Franchisee's sole expense, whereby such plans and specifications are prepared specifically for Franchisee's Spa Facility and Franchisee's Spa Location and shall reflect and comply with Franchisor's generalized plans and specifications and otherwise satisfy the specifications and requirements set forth in the Operations Manual. If Franchisor determines, in Franchisor's Reasonable Business Judgment, that any plans are not consistent with Franchisor's prototype plans and specifications, Franchisor may prohibit implementation of the plans and disapprove the plans;

(2) Obtain all required building, utility, sign, health, sanitation, and business permits and licenses, and any other required permits and licenses;

(3) Construct all required improvements to Franchisee's Spa Location, purchase and install all required furniture, fixtures and equipment and decorate the premises in compliance with the plans and specifications approved in writing by Franchisor and all applicable ordinances, building codes, permit requirements and lease or deed requirements and restrictions;

(4) Provide Franchisor timely written reports regarding the process of construction and remodeling in compliance with Franchisor's then-current specifications; and

(5) Establish filing, accounting, and inventory control systems, conforming to the requirements prescribed by Franchisor, if any.

At all times, in the construction and operation of the Franchised Business, Franchisee shall exclusively install, use, attach, maintain, replenish and replace only those types of construction and decorating materials, furniture, fixtures, equipment, and signs that Franchisor has approved or designated in the Operations Manual for Angels Spas as meeting Franchisor's specifications and standards for appearance, function and performance. Franchisee only may purchase approved or designated types of construction and

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decorating materials, fixtures, equipment, furniture and signs from any supplier approved or designated by Franchisor, which may include Franchisor and Franchisor's affiliates.

3.C. OPENING THE FRANCHISED BUSINESS

Franchisee must develop and open the Franchised Business to the public and, commence the day-to-day operations of the Franchised Business, on or before the Scheduled Business Commencement Date. Notwithstanding the foregoing, Franchisee agrees that prior to opening the Franchised Business to the Public, Franchisee must, as determined by Franchisor: (a) be in compliance with the terms and conditions of this Agreement; (b) have satisfied the pre-opening obligations set forth by Franchisor in the Operations Manual; (c) have completed and satisfied the training obligations designated by Franchisor; and (d) obtained Franchisor's written consent to open.

3.D. OPERATIONS OF THE FRANCHISED BUSINESS

At all times, the Franchised Business shall: (a) be exclusively operated from Franchisee's Spa Location approved by Franchisor; (b) be exclusively operated from a Spa Facility; (c) exclusively offer and sell the System Products and Services as designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; (d) ensure that the System Products and Services are only offered and provided by Franchisee through employees and/or Owners that have, to Franchisor's satisfaction, completed the training requirements and Training Programs required by Franchisor, in Franchisor's Reasonable Business Judgment and as may be modified and supplemented by Franchisor from time to time; (e) exclusively utilize, maintain and stock in inventory the System Supplies in such quantities and as designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; (f) exclusively purchase the System Supplies from the suppliers and vendor(s) approved by Franchisor and designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as modified by Franchisor from time to time; and (g) be operated in conformity with the Operations Manual as such Operations Manual exists as of the Effective Date of this Agreement and as the Operations Manual may be modified and supplemented from time to time in the future by Franchisor, in Franchisor's Reasonable Business Judgment. At all times Franchisee must maintain the necessary licenses and permits and those licenses and permits recommended and/or required by Franchisor in connection with Franchisee's ownership and operation of the Franchised Business.

Franchisee agrees that control over the nature, quality, branding and source of the System Supplies is critical to the System and that irrespective of the availability of substitute products, supplies, inventory, apparel and/or accessories, Franchisee shall only utilize the System Supplies as designated by Franchisor and only from those suppliers approved by Franchisor. Franchisee agrees that in many instances Franchisor and/or Franchisor's affiliates may be or may become the exclusive supplier of System Supplies.

3.E. BUSINESS MANAGEMENT SYSTEM

At all times, Franchisee shall exclusively utilize the Business Management System(s) designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified, supplemented or replaced by Franchisor from time to time. Franchisee cannot substitute or replace the Business Management System in favor of any substitutes or other systems. To the extent that the Business Management System is hosted, maintained, licensed or operated by third-party suppliers Franchisee shall purchase, license and maintain such Business Management System and/or systems from such third-party suppliers designated by Franchisor and subject to Franchisor's standards and specifications. To the extent that the Business Management System(s) designated is/are internet or cloud-based systems with accounts and data (including accounts and data associated with the Franchised Business) stored off-site Franchisor, in Franchisor's Reasonable Business Judgment, may require that Franchisee's license, utilization and use of the Business Management System occur through accounts registered to Franchisor, controlled by Franchisor or licensed through Franchisor. To the extent that the Business Management System(s) is/are stored locally on computer systems maintained by Franchisee, then Franchisee shall provide Franchisor with internet and complete remote access to such systems. Franchisor may be and/or become the exclusive supplier and/or

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reseller of the Business Management System.

Franchisee shall be responsible for initial license fees, training fees and continuing monthly license fees required for continued and mandatory access and utilization of the Business Management System. Such fees shall be designated and determined by Franchisor, in Franchisor's Reasonable Business Judgment or by the suppliers designated by Franchisor and approved by Franchisor in Franchisor's Reasonable Business Judgment, and shall be paid to Franchisor and/or to the third-party supplier(s) approved by Franchisor. Franchisee must complete training, purchase and license the Business Management System(s) no later than 45 days prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date.

Supplementing and without limitation to the foregoing, Franchisee acknowledges that the Business Management System will contain proprietary and confidential information owned by Franchisor and related to the System, and that:

(1) Franchisee shall utilize the Business Management System exclusively for the operations of the Franchised Business and in accordance with the terms of this Agreement and Franchisor's standards and specifications as set forth in the Operations Manual;

(2) All rights in and to the Business Management System are non-transferable and non-assignable to Franchisee and shall be utilized by Franchisee subject to the terms and conditions of this Agreement, Business Management System licenses that Franchisor may approve of and otherwise as determined by Franchisor in Franchisor's Reasonable Business Judgment;

(3) As between Franchisee and Franchisor, Franchisor is and shall be the exclusive owner of the Business Management System Data, expect that Franchisee shall store and maintain such data in accordance with all applicable local, state and federal privacy, data collection and solicitation laws. Among other things, upon expiration or termination of this Agreement for any reason, Franchisee shall preserve and maintain the Business Management System data for the purpose of transferring such data to Franchisor;

(4) At all times, Franchisee shall provide and permit Franchisor to maintain direct and independent access to the Business Management System and the Business Management System Data and to duplicate and evaluate data the Business Management System Data If applicable, upon Franchisor's request, Franchisee shall electronically transfer and transmit to Franchisor all Business Management System Data;

(5) When instructed by Franchisor, Franchisee shall upgrade, replace and modify the Business Management System;

(6) Franchisee shall promptly disclose to Franchisor all ideas and suggestions for modifications or enhancements to the Business Management System, to the configuration and templates associated with the Business Management System and that Franchisor shall have the right to use such ideas and suggestions and that Franchisee shall not receive or obtain any ownership rights or interests in any modifications or enhancements to the Business Management Software;

(7) Other than permitting access to employees of the Franchised Business for the purpose of conducting the authorized operations of the Franchised Business, Franchisee shall not permit nor allow any third party to access, utilize or duplicate the Business Management System or the Business Management System Data without Franchisor's prior written consent;

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(8) Franchisee shall keep and maintain the Business Management System and the Business Management System Data as secret and confidential and Franchisee shall maintain security precautions to maintain the confidentiality and secrecy of the Business Management and to prevent the unauthorized access or use;

(9) Management Software System and all information, data and templates stored, entered and/or maintained thereon as confidential, as containing trade secrets of Franchisor that we have entrusted to Franchisee in confidence to use only as Franchisor authorizes; and

(10) In no event shall Franchisor be liable to Franchisee for any damages, including any lost profits, lost savings, or other incidental or consequential damages, relating to Franchisee's use or, Franchisee's inability to use, the Business Management System even if Franchisor has been advised of the possibility of such damages, or for any claim by any other party including the software manufacturer. The foregoing limitations of liability are intended to apply without regard to whether other provisions of the Agreement have been breached or proven ineffective.

3.F. DIGITAL MEDIA, SYSTEM WEBSITE AND TELEPHONE NUMBERS

Franchisee acknowledges the significance of Digital Media to the System and necessity for Franchisor's control over Digital Media. Between Franchisor and Franchisee, Franchisor is the absolute owner of the Digital Media. Franchisee shall not utilize, access or open accounts related to Digital Media unless expressly approved by Franchisor in writing which approval Franchisor may withhold, condition or limit as determined by Franchisor in Franchisor's Reasonable Business Judgment and which approval, if given, shall be limited to the marketing and promotion of the Franchised Business in accordance with Franchisor's standards and specifications. Upon expiration or termination of this Agreement for any reason, any prior authorization by Franchisor as to Franchisee's right to utilize the Digital Media and/or otherwise as to any rights of Franchisee in or to the Digital Media shall be automatically terminate and, at Franchisor's election, the right to any and all accounts and/or sites (if any) associated with Digital Media utilized by Franchisee shall be transferred to Franchisor. Under no circumstance shall Franchisee utilize the Digital Media for purposes of or with the effect of libeling or disparaging another nor shall Franchisee violate any copyrights – as to such actions as between Franchisee and any third party, Franchisee is exclusively responsible for disparagement, libel and/or copyright infringement if Franchisee published and/or caused such content to be published.

Franchisee agrees that Digital Media and/or Published Content, if permitted by Franchisor, must be approved by Franchisor prior to publication or use in any form. Digital Media and Published content that is approved by Franchisor or that otherwise is acceptable to Franchisor as meeting Franchisor's standards shall be owned by Franchisor. As between Franchisor and Franchisee, any and all interest and right in or to the Digital Media and/or Published Content shall, at all times, be and is the exclusive property of Franchisor both during the Term of this Agreement and upon the expiration or termination of this Agreement. Franchisee agrees that the System Website and all improvements and modifications made to the System Website, Digital Media, and Published Content is and shall be the exclusive property of Franchisor. During the Term of this Agreement and subject to Franchisee's compliance with the terms and conditions of this Agreement, the System Website, shall include information related to the Franchised Business as shall be determined and designated by Franchisor in Franchisor's Reasonable Judgment.

Franchisee agrees that in the event of the termination of this Agreement, for any reason, that the accounts related to all telephone numbers associated with the Franchised Business and all rights in and to the telephone numbers associated with the Franchised Business, shall, at Franchisor's election, be transferred to Franchisor.

Without limitation to the foregoing, Franchisee shall, upon the request of Franchisor, execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts attached to this

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Agreement as Exhibit 9. Upon the request of Franchisor, Franchisee shall execute, update, and/or re-execute the Assignment of Telephone Numbers and Digital Media agreement upon the request of Franchisor. As between Franchisor and all third parties, Franchisee does hereby represent and acknowledge that such third-party is authorized to rely on the Assignment of Telephone Numbers and Digital Media agreement, irrespective of any dispute and/or controversy between Franchisor and Franchisee and irrespective of any contrary instructions of Franchisee.

3.G. RELOCATION OF THE FRANCHISED BUSINESS

To the extent that Franchisee wishes to relocate the Franchised Business Franchisee must obtain Franchisor's prior written consent, which Franchisor may refuse in Franchisor's Reasonable Business Judgment. Franchisee agrees that if Franchisor does consent to the relocation of the Franchised Business, that Franchisor may condition Franchisor's consent to Franchisee's relocation request on requirements imposed by Franchisor which may include, among other things: (a) that the proposed Spa Location meet and satisfy Franchisor's then current standards for Spa Locations; (b) that the proposed Spa Facility meet and satisfy Franchisor's then current standards for Spa Facilities; (c) that the proposed Spa Facility be constructed and established in accordance with Franchisor's current standards and specifications; (d) that the proposed Spa Location be located within Franchisee's Designated Territory; (e) that the proposed Spa Location (even if it is located within the Designated Territory) not be within a close proximity to the Designated Territory and/or Spa Location of another Angels Spa; and (f) that, as to the proposed Spa Facility and proposed Spa Location, Franchisee satisfy the terms and conditions set forth in this Agreement for Spa Facilities, and Spa Locations including, but not limited to, the requirements set forth in Articles 2.A. and 3.B of this Agreement. Franchisee agrees that Franchisor possesses sole discretion as to whether or not Franchisor approves of Franchisee's relocation request.

ARTICLE 4
TRAINING AND OPERATING ASSISTANCE

4.A. INITIAL TRAINING, SUPPLEMENTAL TRAINING AND SYSTEM-WIDE TRAINING

(1) Within forty-five (45) days of the earlier of the Scheduled Business Commencement Date or the Actual Business Commencement Date, Franchisee's Managing Owner and one manager must complete, to Franchisor's satisfaction, Franchisor's initial training program (the "Training Program").

Franchisor will provide Franchisee (comprised of Franchisee's Managing Owner, and one designated manager) with Franchisor's Training Program. If Franchisee would like more than two individuals to attend the initial Training Program, subject to Franchisor's approval, Franchisee shall pay to Franchisor an additional fee of $300 per additional person attending Initial Training. Prior to opening and commencing the operations of the Franchised Business, the Managing Owner and other personnel as designated or determined by Franchisor, must attend and successfully complete the Training Program designated by Franchisor. The training will include classroom and on-the-job instruction at a location or facility designated by Franchisor. Following completion of the initial Training Program, Franchisee shall be responsible for the ongoing training of Franchisee' employees, staff and all other employees of the Franchised Business. Said on-going training must conform to Franchisors standards and specifications. The Training Program shall be structured, configured and established by Franchisor from time to time. The Training Program may be structured so that it is offered and completed by Franchisee in various phases which may require participation in interactive Webinar type sessions and on-site training at a training site designated by the Franchisor.

(2) Franchisee (or, if Franchisee is a Corporate Entity, Franchisee's Managing Owner) and Manager, at Franchisee's sole cost and expense, must attend and successfully complete all refresher training courses or system-wide training courses, additional training programs and seminars as

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Franchisor periodically may designate or offer in Franchisor's Reasonable Business Judgment. Franchisor provides instructors and training materials for those programs and seminars, but Franchisor reserves the right to assess Franchisee reasonable charges for such training. Franchisee is responsible for all expenses Franchisee and Franchisee's employee incurs in connection with attendance and participation in these programs and seminars, including, without limitation, the cost of transportation, lodging, meals and any salaries and other wages.

(3) Franchisee shall pay the salaries, fringe benefits, payroll taxes, unemployment compensation, workers' compensation insurance, lodging, food, automobile rental, travel costs and all other expenses for those persons who, on behalf of Franchisee, attend and participate in the Training Program. If the Training Program is provided at the Franchised Business by a representative of Franchisor (provided that Franchisor, in Franchisor's sole discretion, elects to do so), then the Franchisee will pay for the reasonable travel costs, lodging, food, automobile rental and other expenses incurred by Franchisor's representative in connection with such training.

(4) Subject to Franchisor's approval and agreement, Franchisor may offer supplemental training to Franchisee at Franchisee's Spa Location (hereinafter referred to as "Supplemental Training"). Franchisor, in Franchisors Reasonable Business Judgment, reserves the right to reject or approve of any request by Franchisee for Supplemental Training. If Franchisor does agree to offer and provide Supplemental Training, Franchisee shall pay to Franchisor a supplemental training fee at the rate of $300 per on-site trainer per day plus reimbursement of the travel and hotel accommodation expenses that Franchisor's trainers reasonably incur (the "Supplemental Training Fee"). Franchisee agrees that if Franchisee is in breach of this Agreement due to the operations of the Franchised Business, Franchisor may require that Franchisee participate in and pay for Supplemental Training.

(5) If the Franchised Business experiences turnover, each newly hired Manager must, prior to being able to work in the Franchised Business complete, at Franchisee's expense, Franchisor's initial Training Program at a location and facility designated by Franchisor. In connection with such training, if training occurs (subject to Franchisor's discretion) at a Spa Facility designated by Franchisor, Franchisee shall pay to Franchisor a training fee of $300 per Manager, per day for each Manager attending Franchisor's Training Program. Notwithstanding the foregoing, Franchisor, in Franchisor's sole discretion, may treat such training as Supplemental Training and provide the Training Program on-site at Franchisee's Spa Facility wherein Franchisee shall pay to franchisor the fees and reimburse Franchisor of the expenses set forth in Article 4.A.(4), above.

(6) Franchisor, in Franchisor's Reasonable Business Judgment must approve of all individuals attending and participating in the Training Program and all Supplemental Training programs. All participants in the Training Program must qualify as either an Owner or Operating Manager and, prior to training, among other things, must have executed the Franchise Owner and Spouse Agreement and Guaranty or the Confidentiality Agreement, respectively.

4.B. OPERATING ASSISTANCE

From time to time and as determined by Franchisor in Franchisor's Reasonable Business Judgment, Franchisor may advise Franchisee of those applicable standards, procedures and System requirements in connection with Franchisee's operation of the Franchised Business. Operating assistance may, as determined by Franchisor, in Franchisor's sole discretion, consist of:

(1) Establishing and communicating to franchisee operating procedures, improvements to the System and modifications to the System in connection with the Franchisee's operation of the Franchised Business, the System Products and Services, equipment to be purchased and utilized by Franchisee and those systems and procedures to be utilized by Franchisee in connection with

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Franchisee's training of service employees and Franchisee's marketing and promotion of the Franchised Business;

(2) Establishing and communicating additional and/or modified System Products and Services that may be authorized for Angels Spas;

(3) Modifying the System Products and Services authorized for Angels Spas;

(4) Establishing and communicating marketing and promotion standards and base campaigns that are authorized for use by franchisees in connection with the operation and promotion of Angels Spas;

(5) Establishing and communicating advertising and promotional programs and standards for use by franchisees in connection with the operation and promotion of Angels Spas;

(6) Approving or disapproving of Franchisee request to utilize marketing and promotion materials and media not previously authorized by Franchisor;

(7) Establishing and communicating administrative and general operating procedures for use by franchisees in connection with the operation of Angels Spas;

(8) Establishing, updating, revising and communicating a list(s) of approved suppliers of products, supplies, equipment, software systems and marketing related services including, but not limited to the System Supplies, as Franchisor deems appropriate and as may be otherwise designated by Franchisor in Franchisor's Reasonable Business Judgment;

(9) Coordinating an Annual System Conference for System franchisees that are in good standing with Franchisor. Franchisee shall be responsible for all expenses of its personnel attending the annual meeting including travel, meals and lodging. Franchisee shall be required to pay to Franchisor an Annual Conference Attendance Fee. Franchisee agrees that if Franchisee fails to attend the Annual System Conference that Franchisor shall, nevertheless, charge and Franchisee shall pay the Annual Conference Attendance Fee – even if Franchisor waives such fee for franchisees who attend the Annual System Conference. No more than two individuals may attend the Annual System Conference on behalf of Franchisee; and

(10) Establish and communicate guidance to Franchisee in the form of the Operations Manual and as Franchisor, in Franchisor's sole discretion, deems appropriate in the form bulletins or other written materials, telephonic consultations and/or consultations at the offices of Franchisor.

4.C. OPERATIONS MANUAL

Franchisor shall loan to Franchisee during the term of the franchise one copy (in digital format or in print, as determined by Franchisor) of the Operations Manual. The Operations Manual contains mandatory and suggested specifications, standards and operating procedures that Franchisor prescribes for Angels Spas and information relative to other obligations of Franchisee. Franchisee must operate the Franchised Business in accordance with the specifications and requirements set forth in the Operations Manual and as same may be modified, supplemented and/or changed by Franchisor from time to time. Franchisor has the right to add to, and otherwise modify, the Operations Manual to reflect changes in the System Products and Services, Spa System Supplies, specifications, standards and operating procedures of an Angels Spa. Franchisee must keep its copy of the Operations Manual current and in a secure location at Franchisee's Spa Location. If the Operations Manual is provided to Franchisee in electronic format, Franchisee shall not permit third party access to the Operations Manual. The master copy of the Operations Manual that Franchisor maintains at Franchisor's principal office controls if there is a dispute relative to the contents of

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the Operations Manual. Franchisee shall have a reasonable period of time to implement the changes in the System required by changes to the Operations Manual. Franchisor shall give Franchisee written notice of the changes required and the period of time within which the changes must be implemented by Franchisee.

Without limitation to the foregoing, Franchisee may only offer and sell the System Products and Services and utilize the System Supplies as designated by Franchisor, in Franchisor's Reasonable Business Judgment, in the Operations Manual and in accordance with the terms, specifications and requirements set forth in the Operations Manual and as Franchisor may supplement and modify the Operations Manual from time to time.

ARTICLE 5
FEES

5.A. INITIAL FRANCHISE FEE

Upon execution of this Agreement Franchisee shall pay to Franchisor a non-recurring initial franchisee fee (the "Initial Franchise Fee") of Twenty Nine Thousand Dollars ($29,000). The Initial Franchise Fee is fully earned by Franchisor upon execution of this Agreement and is not refundable.

5.B. ROYALTY FEES

Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing weekly non-refundable royalty fee (the "Royalty Fee") in an amount equal to Four Percent (4%) (the "Royalty Rate") of Franchisee's weekly Gross Sales. The Royalty Fee shall be calculated on a weekly basis for each respective weekly Accounting Period.

The Royalty Fee is on-going and is payable in cash and calculation of the on-going Royalty Fee to be paid weekly (or based on such other Accounting Period designated by Franchisor) shall be on-going based on the Gross Sales for the previous weekly Accounting Period for each and every week throughout the Term of this Agreement. Royalty Fee payments will be paid weekly and sent by ACH and/or electronic funds transfer, due on the Thursday of each weekly Accounting Period (for the preceding week and each week thereafter throughout the entire Term of this Agreement) or such other specific day of the week that Franchisor designates from time to time or for such other period that Franchisor may designate (the "Due Date")(the term Due Date is further defined in Article 1 of this Agreement). Upon the request of Franchisor and in no event not later than thirty (30) days prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date, Franchisee shall execute Franchisor's designated ACH Authorization form and such other authorization agreements, in the form proscribed by Franchisor, for preauthorized payment of Royalty Fee payments, and other amounts due from Franchisee under this Agreement, by electronic transfer of funds from Franchisee's bank account to the bank account that Franchisor designates. As of the Effective Date, Franchisor's current ACH Authorization that must be executed and complied with by Franchisee is attached hereto as Exhibit 11. Franchisor may require Franchisee to pay the Royalty Fees and other amounts due under this Agreement by means other than ACH and/or automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

On the Due Date each week, Franchisee shall report by telephone, electronic means, or in written form, as Franchisor directs, a Royalty Report itemizing actual sales achieved by the Franchised Business and any deductions therefrom to arrive at the Gross Sales for the preceding weekly Accounting Period (the "Royalty Report") and any other reports required under this Agreement. Franchisor shall have the right to verify such royalty payments from time to time, as it deems necessary in any reasonable manner. If Franchisee fails to have sufficient funds in its account or otherwise fails to pay any royalties due as of the Due Date, Franchisee shall owe, in addition to such royalties, a late charge equivalent to the lesser of Five Percent (5%) per month of any late royalty payment or Fifty ($50) Dollars; provided, however, in no event shall Franchisee be required to pay a late fee at a rate greater than the maximum commercial contract interest rate permitted by

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applicable law. Further, if Franchisee fails to submit an accurate Royalty Report by the Due Date of each week for the preceding week, Franchisee must pay, in addition to royalties, a late charge in the amount of Fifty ($50) Dollars. Franchisor may require Franchisee to pay the Royalty Fees and other amounts due under this Agreement by means other than automatic debit whenever Franchisor deems appropriate, and Franchisee agrees to comply with Franchisor's payment instructions.

5.C. TECHNOLOGY FEE

Throughout the Term of this Agreement, Franchisee shall pay to Franchisor a continuing monthly non-refundable Technology Fee. Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right, at any and all times throughout the Term, to implement and charge Franchisee a monthly Technology Fee in a monthly amount designated by Franchisor but provided that such monthly amount of the Technology Fee does not exceed Two Hundred ($200) Dollars per month. The Technology Fee is a general administrative fee and is not connected to any particular service. The Technology Fee shall be paid to Franchisor each and every month on the Due Date.

5.D. OTHER FEES

As designated by Franchisor in this Agreement, the Manual, or otherwise, Franchisee shall pay the following additional fees:

(1) Brand Development Fund Fee – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees the Brand Development Fund Fee as set forth in Article 9.A. of this Agreement; and

(2) All Other Obligations Set forth in this Agreement – Franchisee shall pay to Franchisor, Franchisor's affiliates, or Franchisor's designees all other fees, charges and expenses as set forth in this Agreement and in accordance with the terms of this Agreement or, otherwise, in accordance with the Manuals and/or Franchisor's standards and specifications.

5.E. INTEREST, COLLECTION COSTS AND ATTORNEY FEES

All unpaid obligations under this Agreement (of any nature) shall automatically bear interest from the date due until paid at the lesser of: (a) twelve percent (12%) per annum, or (b) the maximum rate allowed by applicable law. However, if such past due obligation remains unpaid for more than thirty (30) days, then the amount of the unpaid and past due obligation will bear simple interest at the lesser of eighteen percent (18%) simple interest per annum or the maximum legal rate allowable by applicable law. Furthermore, the Franchisee will pay Franchisor for any and all costs incurred by Franchisor in the collection of such unpaid and past due obligations including, but not limited to, reasonable attorney's fees.

Franchisee acknowledges that this Article 5.E. does not constitute Franchisor's agreement to accept payments after they are due or a commitment by Franchisor to extend credit to, or otherwise finance Franchisee's operation of the Franchised Business. Further, Franchisee acknowledges that Franchisee's failure to pay all amounts when due shall constitute grounds for termination of this Agreement, as provided in Article 16.

5.F. APPLICATION OF PAYMENTS

Franchisor has sole discretion to apply any payments received from Franchisee or to offset any indebtedness of Franchisee to Franchisor to any past due indebtedness of Franchisee for Royalty Fees, Advertising Contributions, purchases from Franchisor or its affiliates, interest or any other indebtedness of Franchisee to Franchisor or its affiliates.

5.G. WITHHOLDING PAYMENTS UNLAWFUL

Franchisee agrees that under no circumstance is Franchisee entitled to withhold payments due to Franchisor under this Agreement. Among other things and without limitation to the foregoing, Franchisee

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expressly agrees that any claim by Franchisee as to the alleged non-performance of Franchisor's obligations shall not permit and/or entitle Franchisee to withhold payments due Franchisor under this Agreement.

ARTICLE 6
FRANCHISEE'S AND FRANCHISEE'S OWNERS
RESTRICTIVE COVENANTS AND OBLIGATIONS

6.A. NECESSITY FOR RESTRICTIVE COVENANTS

Franchisee agrees that only through the course of entering into this Agreement is Franchisee being provided with access to the System, Franchisor's training, use of the Licensed Marks and access to the Operations Manual and Confidential Information. Franchisee agrees that competition by Franchisee, Owners, Spouses and Immediate Family Members could jeopardize the entire System and cause irreparable harm to Franchisor and franchisees of Angels Spas. Franchisee and Franchisee's Owners (and Spouses) agree to comply with the restrictive covenants set forth in this Article 6 and throughout this Agreement.

6.B. RESTRICTIVE COVENANTS: KNOW-HOW

Franchisee agrees that Franchisee: (a) shall not use the Know-How in any business or capacity other than the operation of the Franchised Business pursuant to this Agreement; (b) shall maintain the confidentiality of the Know-how at all times; (c) shall not make unauthorized copies of documents containing any Know-How; (d) shall take all reasonable steps that Franchisor requires from time to time to prevent unauthorized use or disclosure of the Know-How; and (e) shall stop using the Know-How immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1 and (b) Franchisee's directors, officers, employees and agents where disclosure of the Know-How was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and delivered to Franchisor the Confidentiality Agreement in the form attached to this Agreement as Exhibit 4.

6.C. RESTRICTIVE COVENANTS: CONFIDENTIAL INFORMATION

Franchisee agrees that Franchisee: (a) shall not use the Confidential Information in any business or capacity other than the Angels Spa operated by Franchisee; (b) shall maintain the confidentiality of the Confidential Information at all times; (c) shall not make unauthorized copies of documents containing any Confidential Information; (d) shall take such reasonable steps as Franchisor may ask of Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; and (e) shall stop using the Confidential Information immediately upon the expiration, termination or Transfer of this Agreement. Franchisee agrees that the foregoing covenants and obligations shall also apply to: (a) Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1; and (b) Franchisee's directors, officers, employees and agents where disclosure of the Confidential Information was necessary for the operations of the Franchised Business and where such director, officer, employee and/or agent previously executed and delivered to Franchisor the Confidentiality Agreement in the form attached to this Agreement as Exhibit 4.

6.D. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND IN-TERM NON-COMPETITION OBLIGATIONS

Franchisee agrees that during the Term of this Agreement, Franchisee shall not engage in the following activities (the "Prohibited Activities"): (a) owning and/or having any legal or equitable interest (whether as an individual proprietor, owner, partner, member or shareholder of a Corporate Entity, or in any similar capacity) in a Competitive Business (other than owning an interest of three percent (3%) or less in a publicly traded company that is a Competitive Business); (b) operating, managing, funding and/or performing

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services (whether as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or in any similar capacity) for a Competitive Business; (c) diverting or attempting to divert any business or customers from Franchisor (or one of Franchisor's affiliates or franchisees); and/or (d) inducing any customer or client of Franchisors (or of one of Franchisor's affiliates or franchisees) or of Franchisee to any other person or business that is not an Angels Spa. Franchisee acknowledges that if Franchisee were to engage in the Prohibited Activities that such actions would be unfair, would constitute unfair competition and would cause harm to Franchisor, the System and other Angels Spa Franchisees. Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1.

6.E. RESTRICTIVE COVENANTS: UNFAIR COMPETITION AND POST-TERMINATION NON-COMPETITION OBLIGATIONS

Franchisee agrees that during the Post-Term Restricted Period Franchisee will not engage in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers/clients who are located within the Restricted Territory. If Franchisee is engaged in any Prohibited Activities during the Post-Term Restricted Period, Franchisee agrees that Franchisee's Post-Term Restricted Period will be extended by the period of time during which Franchisee was engaging in the Prohibited Activity (any such extension of time will not be construed as a waiver of Franchisee's breach or otherwise impair any of Franchisor's rights or remedies relating to Franchisee's breach). Franchisee agrees that the foregoing covenants and obligations shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1. Franchisee agrees that this restriction is fair and reasonable and that if Franchisee did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm Franchisor and the System.

6.F. IMMEDIATE FAMILY MEMBERS.

Franchisee acknowledges, agrees and represents that should Franchisee circumvent the restrictive covenants and obligations due to Franchisor under this Article 6 by disclosing Confidential Information and Know-how to an immediate family member (*i.e.*, parent, sibling, child, or grandchild) that Franchisor will and the System will be irreparably harmed. Franchisee acknowledges that if Franchisee or one of Franchisee's Owners did disclose the Know-how to an immediate family member and the immediate family member of Franchisee or an Owner used the Confidential Information or Know-How to engage in activities that, for Franchisee, qualify as Prohibited Activities as defined above, that Franchisor and the System will be irreparably harmed. Franchisee agrees that as between Franchisee and Franchisor that Franchisee and Franchisee's Owners are in a better position to know if Franchisee permitted and/or provided an immediate family member with access to the Confidential Information and/or Know-How. Therefore, Franchisee agrees that Franchisee will be presumed to have violated the terms of this Agreement and, in particular, the restrictive covenants and obligations set forth in this Article 6 if any member of Franchisee's immediate family or the immediate family of an Owner (a) engages in any Prohibited Activities during any period of time during which Franchisee is prohibited from engaging in the Prohibited Activities or (b) uses or discloses the Confidential Information and/or Know-how. However, Franchisee may rebut this presumption by providing evidence conclusively demonstrating that neither Franchisee nor Franchisee's Owner(s) did not disclose the Confidential Information and Know-How and did not permit disclosure of the Confidential Information or Know-How to the family member of Franchisee or Franchisee's Owners. Franchisee agrees that the foregoing covenants, obligations, representations and burden of proof shall also apply to Franchisee's Owners and Spouses and that Franchisee's Owners and Spouses shall each execute and deliver to Franchisor the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1.

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6.G. REASONABLENESS OF RESTRICTIVE COVENANTS AND OBLIGATIONS

Franchisee agrees that: (a) the terms of this Article 6 are reasonable both in time and in scope of geographic area; and (b) Franchisee has sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Article 6. **Franchisee hereby waives any right to challenge the terms of this Article 6 as being overly broad, unreasonable or otherwise unenforceable.** Although Franchisee and Franchisor both believe that the restrictive covenants and obligations of this Article 6 to be reasonable in terms of scope, duration and geographic area, Franchisor may at any time unilaterally modify the terms of this Article 6 (provided that such modification is in writing and signed by Franchisor) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Post-Term Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon Franchisee under this Article 6 to ensure that the terms and covenants are enforceable under applicable law.

6.H. BREACH OF RESTRICTIVE COVENANTS AND OBLIGATIONS

Franchisee agrees that Franchisee's failure and/or Franchisee's Owner(s) failure to comply with the restrictive covenants and obligations set forth in this Article 6 will cause irreparable harm to Franchisor and/or other Angels Spa franchisees for which there is no adequate remedy at law. Therefore, Franchisee agrees that any violation of these Article 6 covenants and obligations by either Franchisee and/or any Owner(s) will entitle Franchisor to injunctive relief. Franchisee agrees that Franchisor may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of Franchisee, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the Franchisee and Franchisor agree that the amount of the bond shall not exceed $1,000. Franchisor's remedies under this Article 6.H. are not exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

6.I. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS AND CUSTOMER INFORMATION

Franchisee agrees that with regard to the Franchised Business all customer lists and their contents and information represent Confidential Information and constitute an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term of this Agreement and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods and products conceived or developed by Franchisee and Franchisee's affiliates, Owners, agents, and employees relating to the development and operation of Angels Spas. Franchisee hereby assigns to Franchisor and Franchisee agrees to procure from Franchisee's Owners, affiliates and employees assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 6.I. Franchisor shall have no obligation to make any lump sum or on-going payments to Franchisee or Franchisee's Owners, affiliates or employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee will not use nor will Franchisee allow any other person or entity to use any such concept, method or product without obtaining Franchisor's prior written approval.

ARTICLE 7
OPERATING STANDARDS

7.A. OPERATIONS AND MAINTENANCE OF CONDITION AND APPEARANCE

At all times, Franchisee and the Franchised Business shall: (a) exclusively offer and sell the System Products and Services as designated by Franchisor in the Operations Manual and/or as otherwise designated by Franchisor in writing and as may be modified by Franchisor from time-to-time; (b) exclusively purchase and utilize the System Supplies as designated by Franchisor in the Operations Manual and as may be

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modified by Franchisor from time to time; (c) maintain a complete and updated inventory and supply of System Supplies as designated by Franchisor in the Operations Manual and as may be modified by Franchisor from time to time; (d) maintain Franchisee's Spa Facility in a clean, sanitary, functional and well maintained condition; and (e) maintain, update and recondition Franchisee's Spa Facility as designated by Franchisor in the Operations Manual and as may be modified by Franchisor from time to time.

7.B. UPDATING AND UPGRADING

Upon the request of Franchisor, Franchisee must improve, modify and remodel Franchisee's Spa Facility to the Franchisor's then-current standards and specifications. Franchisee agrees to make such improvements or modifications when changes to Franchisor's standards and specifications are made applicable to Franchisee's Spa Facility.

7.C. REMEDIES FOR NONCOMPLIANCE WITH APPEARANCE

If Franchisee fails or refuses to initiate within thirty (30) days after Franchisor's request, and/or fails to continue in good faith and with due diligence, any required improvement, modification, refurbishment, renovation, and/or remodel of Franchisee's Spa Facility, then Franchisor has the right, but is not obligated, to enter upon Franchisee's Spa Facility and Franchisee's Spa Location and effect such improvement, modification, refurbishment, renovation, and/or remodel on Franchisee's behalf, and Franchisee must pay the entire cost to Franchisor on demand.

7.D. DAMAGE CAUSED BY CASUALTY

If Franchisee's Spa Facility is damaged or destroyed by fire or any other casualty, Franchisee must, as soon as practicable but in no event later than two (2) months after such casualty, initiate repairs or reconstruction, and thereafter in good faith and with due diligence continue until completion of the repairs or reconstruction, in order to restore the premises of Franchisee's Spa Facility to its original condition before casualty.

7.E. ALTERATIONS TO THE FRANCHISED BUSINESS, EQUIPMENT AND SUPPLIES

Franchisee shall not make any material alterations to Franchisee's Spa Facility without Franchisor's prior written consent. Franchisee not replace or make any unapproved replacements of or material alterations to the fixtures, equipment, furniture, designs or signs, comprising or being a part of, Franchisee's Spa Facility. Franchisor has the right, in its sole discretion and at the sole expense of Franchisee, to rectify any material alterations to Franchisee's Spa Facility not previously approved by Franchisor or contrary to the specifications and standards of Franchisor as contained in the Operations Manual or otherwise set forth by Franchisor. Franchisor will provide written notice to Franchisee before Franchisor makes the correction, if Franchisor elects to do so.

7.F. UNIFORM IMAGE, STANDARDS, SPECIFICATIONS, PRODUCT PREPARATION, SERVICE DELIVERY AND PRODUCT REQUIREMENTS

To ensure that the highest degree of uniformity, quality and service is maintained (as determined by Franchisor in Franchisor's Reasonable Business Judgment), Franchisee must use its best efforts to operate the Franchised Business in strict conformity with the methods, standards and specifications of Franchisor as set forth in the Operations Manual and as Franchisor may, in Franchisor's Reasonable Business Judgment, otherwise prescribe in writing. Supplementing and without limitation to the foregoing, Franchisee agrees that Franchisee shall:

(1) Exclusively offer and sell the System Products and Services and as Franchisor may modify same from time to time in Franchisor's Reasonable Business Judgment;

(2) Exclusively utilize the System Supplies and only those methods, procedures, production systems, and delivery systems as designated by Franchisor in the Operations Manual or as

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otherwise designated by Franchisor in writing and, as Franchisor may modify from time to time in Franchisor's Reasonable Business Judgment;

(3) Exclusively utilize the System Supplies equipment, supplies, materials, uniforms, and forms as designated by Franchisor in the Operations Manual or otherwise in writing and, as Franchisor may modify from time to time in Franchisor's Reasonable Business Judgment.

(4) Exclusively utilize packaging, signs, paper goods, uniforms, and other materials displaying the Licensed Marks as designated by Franchisor in the Operations Manual or otherwise in writing, as Franchisor may modify from time to time in Franchisor's Reasonable Business Judgment, and obtain such items from suppliers designated by Franchisor by Franchisor in the Operations Manual or otherwise in writing, as Franchisor may modify from time to time in Franchisor's Reasonable Business Judgment;

(5) Provide prompt, courteous, and efficient service to customers;

(6) Maintain ordinary and regular business hours as required by Franchisor in the Operations Manual or otherwise in writing, as may be modified by Franchisor from time to time in Franchisor's Reasonable Business Judgment;

(7) Adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in dealing with customers and suppliers of the Franchised Business;

(8) Conduct all advertising and promotion of the Franchised Business in strict compliance with Franchisor's standards and specifications and to the highest standards of ethical advertising;

(9) Refrain from any business or advertising practice that may be injurious to the goodwill associated with Franchisor, Angels Spas, the System, and the Licensed Marks;

(10) Not deviate from the standards that Franchisor sets for the operation of the Franchised Business;

(11) Promptly respond to all customer and potential customer inquiries and complaints to achieve high levels of customer satisfaction and reviews;

(12) Honor and implement refund policies established by Franchisor from time to time in Franchisor's Reasonable Business Judgment;

(13) Honor, sell, implement and offer Customer Vouchers as authorized and designated by Franchisor and in accordance with Franchisor's policies, standards and procedures including policies, standards and procedures for honoring Customer Vouchers sold by other System franchisees and redeemed at Franchisee's Angels Spas and paying referral fees to other System franchisees Customer Vouchers sold by Franchisee's Angels Spas;

(14) Maintain and display at visible locations designated by Franchisor displays and signs informing customers and the public that *"This Angels Spa is independently owned operated and managed by [insert name of Franchisee] pursuant to a license agreement"* or such other signage as designated by Franchisor;

(15) Adopt, implement, and abide by the System and all changes made to the System (as designated by Franchisor in Franchisor's Reasonable Business Judgment) including, without limitation, the System Products and Services and the System Supplies;

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(16) Maintain a fully trained competent staff capable of rendering courteous quality service in accordance with the Operations Manual and Franchisor's standards and specifications;

(17) Ensure that all of Franchisee's employees wear all uniforms set forth in the Operation Manual and/or as otherwise required by Franchisor while working at the Franchised Business, and said uniforms shall be of such design and color as set forth in the Operations Manual Franchisor and/or as otherwise prescribed by Franchisor, in Franchisor's Reasonable Business Judgment, from time to time;

(18) Not promote any other businesses at the Franchised Business, and/or from Franchisee's Spa Facility, and/or Franchisee's Spa Location;

(19) Comply with all laws applicable to the operation of the Franchised Business, including, without limitation, all health laws, wage and hour laws, labor department, workers compensation and unemployment laws and rules;

(20) With respect to all credit card transactions and the customer information obtained through credit card usage, Franchisee agrees to diligently comply with all statutes and rules regarding such usage and shall protect the privacy of Franchisee's credit card customers;

(21) Stock, maintain and replenish System Supplies in such supply as to realize, service and promote the Franchised Business to its full potential;

(22) Exclusively use, at all times, only those supplies, products, equipment, software systems, business management systems, customer relationship management systems (whether hard drive based, networked, or cloud based) and supplies designated by Franchisor including, without limitation, the System Supplies, the System Products and Services, and the Business Management System, and purchase same exclusively from Franchisor and/or Franchisor's designated suppliers;

(23) Ensure that all products sold by the Franchised Business are limited to the System Products and Services;

(24) Permit Franchisor or Franchisor's agents, at any reasonable time, to inspect Franchisee's Spa Facility and test, sample, and evaluate the services and products offered by the Franchised Business to evaluate whether or not same meet and comply with Franchisor's standards and specifications;

(25) Designate and maintain an Operating Manager who, in addition to the Managing Owner, (a) completed Franchisor's initial Training Program, (b) works on-site at Franchisee's Spa Facility, (c) signed and duly executed the Confidentiality Agreement, and (d) consistently demonstrates his or her ability to satisfy the performance requirements of the System related to confidentiality, brand protection, the purchase, maintenance, and utilization of the System Supplies, and service standards respecting the System Products and Services;

(26) Install and maintain in connection with the operations of the Franchised Business, all equipment, supplies and systems, as designated by Franchisor, in Franchisor's Reasonable Business Judgment, and as may be modified by Franchisor from time to time, including, without limitation, point of sale systems, the Business Management System, computer systems, security systems, System Supplies, and telecommunications equipment designated by Franchisor, and provide and permit Franchisor to maintain, direct and independent access to such systems and monitor the Franchised Business;

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(27) Implement and maintain, at Franchisee's expense, a bookkeeping, accounting, and record keeping system conforming to the requirements and formats Franchisor prescribes from time to time in Franchisor's Reasonable Business Judgment; and

(28) Grant and give full and complete on demand and continuous instantaneous access to Franchisee's business and financial records including, without limitation, Franchisee's point of sale systems, the Business Management System utilized by Franchisee, and Franchisee's Business Management System Data.

7.G. APPROVED SERVICES, PRODUCTS, EQUIPMENT AND SUPPLIERS

The reputation and goodwill of Franchisor and of all Angels Spas are based on and can only be maintained by the consistent offer, sale, promotion and delivery of high quality products and services, high quality standards, consistency and consistent communication with customers. Franchisee agrees that, among other things, the products and services to be offered and sold by the Franchised Business, the supplies, suppliers and equipment utilized by the Franchised Business, the methods for monitoring customer satisfaction and, the methods for marketing and promoting the Franchised Business must conform to Franchisor's System standards and specifications as determined by Franchisor, in Franchisor's Reasonable Business Judgment, and, as designated by Franchisor in the Operations Manual and, as modified by Franchisor from time to time. Without limitation to the foregoing, Franchisee agrees that:

(1) The Franchised Business shall exclusively offer to the public the System Products and Services from Franchisee's Spa Location and only those System Products and Services designated and authorized by Franchisor, in Franchisor's Reasonable Business Judgment, and, as may be modified by Franchisor from time to time in Franchisor's Reasonable Business Judgment.

(2) The Franchised Business will exclusively: (a) offer and serve the System Products and Services; (b) prepare and serve the System Products and Services in accordance with the System's standards and specifications; (c) exclusively purchase and utilize System Supplies purchased from Franchisor or Franchisor's designated suppliers; (d) exclusively purchase and utilize equipment, supplies, promotional materials, point of sale systems and Business Management System(s) designated by Franchisor and subject to Franchisor's specifications; (e) Purchase interior displays, point of sale displays, uniforms, supplies, marketing materials and promotional materials (including but not limited to System Supplies) as designated by Franchisor and only from Franchisor or Franchisor's approved supplier(s); and (f) Purchase from distributors and other suppliers approved by Franchisor all other materials, goods, and supplies (including but not limited to System Supplies) used in preparing, offering, selling, promoting, and serving the System Products and Services.

(3) Franchisor has and will periodically approve suppliers and distributors of the equipment, materials, supplies and products (including but not limited to System Supplies) that meet Franchisor's standards, specifications, and requirements including, without limitation, standards, specifications, and requirements relating to the equipment and supplies to be utilized by the Franchised Business.

(4) Franchisor, in Franchisor's Reasonable Business Judgment, may, from time to time, modify the list of approved brands, suppliers and distributors of System Supplies and approved equipment, supplies and services to be utilized by the Franchised Business and Franchisee shall, after receipt in writing of such modification, not reorder any brand and/or purchase from any supplier or distributor that is no longer designated or approved by Franchisor.

(5) Franchisor reserves the right to designate, from time to time, a single supplier and/or distributor for any services, products, equipment, supplies, or materials including, but not limited to, the System Supplies and to require Franchisee to use such a designated supplier exclusively, which

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exclusive designated supplier and/or distributor may be Franchisor and/or Franchisor's affiliates. Franchisor and its affiliates may receive payments from suppliers and/or distributors on account of such supplier's or distributor's dealings with Franchisee and other franchisees and may use all amounts so received without restriction and for any purpose Franchisor and its affiliates deem appropriate.

(6) If Franchisee proposes or requests that Franchisor consider the approval of products, services, equipment, supplies, suppliers and/or distributors for use in the Franchised Business where such products, services, equipment, supplies, suppliers and/or distributors are not presently, at the time of Franchisee's request, approved for use in the System: (a) Franchisee must provide Franchisor with a written request where Franchisee specifies the product, service, equipment, supply, supplier and/or distributor, the reason for Franchisee's request; (b) Shall timely submit to Franchisor such information, reports, specifications, and samples as Franchisor, in Franchisor's Reasonable Business Judgment requests; (c) Shall pay to Franchisor a Supplier Evaluation Fee per requested product, service, equipment, supply, supplier and/or distributor to be considered including, but not limited to, the Supplier Evaluation Fees that Franchisor, in Franchisors Reasonable Business Judgment, establishes and assesses based on, among other things, the administrative costs and time associated with evaluating, assessing and testing the proposed product, service, equipment, supply, supplier and/or distributor including, but not limited to Franchisor's internal employees and independent third-parties engaged and/or retained by Franchisor for evaluation and testing. The foregoing fees and payments shall be paid by Franchisee to Franchisor within 14 days of the date of Franchisor's invoice. Upon Franchisee's compliance with the foregoing, within 60 days of the completion of all inspections and evaluations, Franchisor shall notify Franchisee of Franchisor's approval or disapproval which shall be determined by Franchisor in Franchisor's Reasonable Business Judgment. Under no circumstance shall the foregoing be construed as implying that Franchisor is required to approve alternative suppliers.

7.H. MARKET RESEARCH AND TESTING

Franchisor may conduct market research and testing to evaluate, modify, test and/or sample the services, products, equipment and supplies authorized by Franchisor and to determine consumer trends and the viability of certain services and products. Franchisee agrees to participate in Franchisor's market research programs that may be conducted by Franchisor in its discretion, by test marketing services and/or products from the Franchised Business. Franchisee agrees to provide Franchisor with timely reports and other relevant information regarding such market research. Franchisee agrees to purchase a reasonable quantity of the tested products and effectively promote and make a reasonable effort to sell the products and/or services.

7.I. COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES

(1) Franchisee shall secure and maintain in full force all required licenses, permits and certificates relating to the operation of the Franchised Business, and Franchisee must operate the Franchised Business in full compliance with all applicable laws, ordinances, codes and regulations.

(2) Franchisee must immediately notify Franchisor in writing of any of the following concerning Franchisee, the Franchised Business, Franchisee's Spa Location and/or Franchisee's Spa Facility: (a) any cause of action, claim, lawsuit, proceeding, and investigation; (b) issuance of any order, writ, injunction, award, and/or decree by any court, agency, or other governmental entity; and (c) any notice of violation of any law, ordinance, code, permit, or regulation.

(3) All advertising and promotion by Franchisee must be completely factual and conform to the highest standards of ethical advertising. Franchisee agrees to refrain from any business practice, advertising practice, or personal conduct that may be injurious to Franchisor, the System, Angels Spas, and the Licensed Marks. Franchisor, in Franchisor's sole discretion, shall possess, among

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other things, the unilateral right to reject any and all advertising relating to the Franchised Business, Franchisor, the System, Angels Spas and/or using the Licensed Marks.

(4) Franchisee and Owners agree to comply with, and/or to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, Franchisee and each Owner certify, represent, and warrant that Franchisee's or any Owner's property or interests is not subject to being "blocked" under any of the Anti-Terrorism Laws, and Franchisee and each Owner are not otherwise in violation of any of the Anti-Terrorism Laws. Franchisee further certifies that Franchisee and each Owner are not listed on the Annex to Executive Order 13244 (the Annex is available at http://www.treasury.gov) and will not become so listed, hire any person so listed, or have dealings with any person so listed. Franchisee agrees to immediately notify Franchisor if Franchisee or any Owner becomes so listed. "Anti-Terrorism Laws" refers to and means 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 any other requirements of any governmental authority addressing, or in any way relating to, terrorist acts and acts of war. If Franchisee, an Owner, or Franchisee's employees violate any of the Anti-Terrorism Laws and/or become listed on the Annex to Executive Order 13244, then Franchisor may terminate this Agreement immediately without prior notice to Franchisee.

7.J. MANAGEMENT OF THE FRANCHISED BUSINESS

(1) Franchisee acknowledges that critical to the success of the Franchised Business is the active, continuing and substantial personal involvement and hands-on supervision of Franchisee's Managing Owner. At all times, Franchisee's Angels Spa must be under the active, continuing and substantial personal involvement and hands-on supervision of Franchisee's Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Franchised Business unless Franchisee delegates management functions to an authorized Operating Manager who, among other things, satisfactorily completed Franchisor's Initial Training program and has otherwise meet the criteria and conditions for qualification as an Operating manager. If the Operating Manager is a family member of Franchisee and/or an Owner then the Operating Manager must also sign and agree to be bound by the terms of the Franchise Owner and Spouse Agreement and Guaranty.

(2) Franchisee must, at all times, faithfully, honestly and diligently perform its obligations hereunder, and continuously exert its best efforts to promote and enhance the business of the Franchised Business and the goodwill of the Licensed Marks.

(3) If, at any time, the Franchised Business is not being managed by a Managing Owner or Operating Manager who satisfactorily completed the Training Program, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of the Franchised Business for and on behalf of Franchisee. Franchisor's appointment of a manager of the Franchised Business does not relieve Franchisee of its obligations or constitute a waiver of Franchisor's right to terminate the Franchise pursuant to Article 16. Franchisor is not liable for any debts, losses, costs or expenses incurred in the operations of the Franchised Business or to any creditor of Franchisee for any products, materials, supplies or services purchased by the Franchised Business while it is managed by Franchisor's appointed manager. Franchisor has the right to charge a reasonable fee for management services and to cease to provide management services at any time.

(4) Franchisee will at all times maintain sufficient working capital to fulfill its obligations under this Agreement.

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ARTICLE 8
INSURANCE

Franchisee, at Franchisee's sole expense, must purchase and maintain in full force at all times during the Term of this Agreement an insurance policy or policies protecting Franchisee as named insured and naming, as additional insureds, Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisor. The policy or policies must be written by a carrier or carriers with an A.M. Best Rating of at least A-, VII and reasonably acceptable to Franchisor. From time to time Franchisor may designate preferred insurance brokers and insurance carriers. If Franchisor has designated a preferred broker and/or insurance carrier for insurance coverage and Franchisee elects to use a broker and/or insurance carrier other than Franchisor's designated preferred insurance broker and/or carrier, Franchisee must submit the proposed insurance policies to Franchisor for Franchisor's approval and Franchisee shall pay to Franchisor, or a party designated by Franchisor, an insurance review fee in the amount of One Thousand ($1,000) Dollars.

The currently required insurance policies, insurance coverage requirements, and insurance coverage amounts are designated and set forth in the Operations Manual. Franchisor may, in Franchisor's Reasonable Business Judgment, periodically change the amounts of coverage required under such insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. Notwithstanding the immediately foregoing sentence, Franchisor shall not increase such minimum coverage more than once every two (2) years. All public liability and property damages policies must contain a provision that Franchisor is entitled to recover under these policies on any loss occasioned to Franchisor, Franchisor's affiliates, Franchisor's successors and assigns, and the officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees of Franchisor by reason of the negligence of Franchisee and/or Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, and employees.

By the earlier of ninety (90) days after the Effective Date or prior to the commencement of the Training Program, Franchisee must deliver, or cause to be delivered, to Franchisor a copy of the certificates of insurance demonstrating Franchisee's compliance with this Article 8. All insurance policies required must expressly provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to, or cancellation of, any insurance policy Franchisee is required to maintain in accordance with this Agreement.

In the event Franchisee fails, for any reason, to procure or maintain the insurance required by this Agreement, then Franchisor has the right and authority (but not the obligation) to immediately to procure insurance and charge all costs, fees, and expenses associated with same to Franchisee, which such charges, together with a reasonable administrative fee for Franchisor's expenses in so acting, shall be immediately payable by Franchisee to Franchisor upon demand. The foregoing remedies are in addition to any other remedies Franchisor may have under this Agreement, at law, or in equity.

ARTICLE 9
BRAND DEVELOPMENT AND MARKETING

Franchisor is not required to conduct any marketing on behalf of Franchisee or the System.

9.A. BRAND DEVELOPMENT FUND

At all times and from time to time, as determined by Franchisor, in Franchisor's Reasonable Business Judgment, Franchisor may institute, implement, maintain, delegate and administer a brand development

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fund (the "Brand Development Fund"). The following shall apply to the Brand Development Fund at all times throughout the Term:

(1) If Franchisor institutes the Brand Development Fund, Franchisee shall pay, on the Due Date, a mandatory and continuing fee to the Brand Development Fund in an amount equal to a percentage of Gross Sales (as determined and designated by Franchisor in Franchisor's Reasonable Business Judgment) for each weekly Accounting Period (the "Brand Development Fund Fee"), provided, however, Franchisee will not be required to contribute more than Two Percent (2%) of the Gross Sales of the Franchised Business for each weekly Accounting Period;

(2) Franchisor will provide Franchisee with written notice of the percentage of Gross Sales that Franchisee is required to contribute to the Brand Development Fund. Upon such written notice to Franchisee, the percentage of Gross Sales to be paid by Franchisee to the Brand Development Fund will be applicable for each and every weekly Accounting Period thereafter during the Term until otherwise designated by Franchisor in writing. The Brand Development Fund Fee shall be paid to Franchisor on the Due Date and in accordance with the payment terms and method set forth in Article 5.B for the payment of Royalty Fees;

(3) Franchisor, in Franchisor's Reasonable Business Judgment, shall direct all advertising, media placement, marketing and public relations programs and activities financed by the Brand Development Fund, with sole discretion over the strategic direction, creative concepts, materials, and endorsements used by the Brand Development Fund, and the geographic, market, and media placement and allocation thereof. Without limiting the foregoing, the Brand Development Fund may also be utilized for evaluation and monitoring of the Business Management Systems, maintenance and upgrades to the System Website, and development of Digital Media;

(4) Franchisee agrees that the purpose of the advertising, media, marketing and activities financed by the Brand Development Fund is and shall be for the general enhancement of the System brand as associated with the Licensed Marks and general public brand recognition and awareness of the Licensed Marks. The Brand Development Fund will not be utilized to directly or indirectly market or promote the Franchised Business or, unless otherwise directed by Franchisor, in Franchisor's Reasonable Business Judgment, pay for media placements that may benefit or include any media market that includes Franchisee's Spa Location or Designated Territory;

(5) Franchisee agrees that the Brand Development Fund may be used to pay various costs and expenses of Franchisor for such reasonable salaries, wages, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration, activities and/or the brand awareness goals of the Brand Development Fund including expenses incurred by Franchisor for advertising, marketing, product and service testing, product and service development, maintenance, evaluation and monitoring of the Business Management Systems, upgrades to the System Website, development of Digital Media and creative development that is internally administered or prepared by Franchisor and other marketing activities made by Franchisor, provided, however, that salary expenses for Franchisor's personnel paid by the Brand Development Fund shall be commensurate with the amount of that time spent by such personnel on Brand Development Fund matters. Franchisor shall not use contributions to the Brand Development Fund to defray any of Franchisor's general operating expenses, except for such reasonable salaries, administrative costs and overhead as Franchisor may incur in activities reasonably related to the administration and activities of the Brand Development Fund and creation or conduct of its marketing programs including, without limitation, conducting market research, preparing advertising and marketing materials and collecting and accounting for contributions to the Brand Development Fund. Franchisor may spend in a fiscal year an amount greater or less than the aggregate contributions of all Angels Spas to the Brand Development Fund in that year;

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(6) Franchisee agrees to participate in all advertising, marketing, promotions, research and public relations programs instituted by the Brand Development Fund;

(7) Angels Spas owned by Franchisor or Franchisor's affiliates are not required to pay any Brand Development Fund Fee or contribute to or make any contribution to the Brand Development Fund;

(8) Franchisee and Franchisor acknowledge and agree that (a) the Brand Development Fund is not a trust, (b) Franchisor is not a trustee or fiduciary of the Brand Development Fund, and (c) Franchisor may deposit and maintain any and all funds of the Brand Development Fund Fee in Franchisor's general accounts. Brand Development Fund Fees are not required to be segregated from other assets or accounts of Franchisor. The Brand Development Fund is not required to expend Brand Development Fund Fees in the year that they are collected and the Brand Development Fund may borrow from Franchisor or other lenders at standard commercial interest rates to cover deficits of the Brand Development Fund, and Franchisor may cause the Brand Development Fund to invest any surplus for future use by the Brand Development Fund. All interest earned on monies contributed to the Brand Development Fund will be used to pay costs of the Brand Development Fund before other assets of the Brand Development Fund are expended. A summary statement of monies collected and costs incurred by the Brand Development Fund for Franchisor's immediately preceding fiscal year shall be made available to Franchisee upon Franchisee's written request. Franchisor will have the right to cause the Brand Development Fund to be incorporated or operated through an entity separate from Franchisor at such time as Franchisor deems appropriate, and such successor entity shall have all rights and duties of Franchisor pursuant to this Article 9.A(8);

(9) Although Franchisor will endeavor to utilize the Brand Development Fund to develop advertising and marketing materials and programs, Franchisor undertakes no obligation to ensure that expenditures by the Brand Development Fund in or affecting any geographic area are proportionate or equivalent to the contributions to the Brand Development Fund by Angels Spas operating in that geographic area or that any Angels Spas will benefit directly or in proportion to its contribution to the Brand Development Fund from the development of advertising and marketing materials. Franchisor may use the Brand Development Fund to promote or benefit any type of Angels Spas in the System. Franchisor may use the Brand Development Fund to promote or benefit Angels Spas located within a particular region of the United States. Franchisee agrees that Franchisee's failure to derive any such benefit will not serve as a basis for a reduction or elimination of its obligation to contribute to the Brand Development Fund. Franchisee agrees that the failure (whether with or without Franchisor's permission) of any other franchisee to make the appropriate amount of contributions to the Brand Development Fund shall not in any way release Franchisee from or reduce Franchisee's obligations under this Article 9, such obligations being separate and independent obligations of Franchisee under this Agreement. Except as expressly provided in this Article 9, Franchisor assumes no direct or indirect liability, responsibility, or obligation to Franchisee with respect to the maintenance, direction, and/or administration of the Brand Development Fund; and

(10) Franchisor, in Franchisor's Reasonable Business Judgment, may establish a council to provide guidance respecting the administration of the Brand Development Fund and marketing matters concerning the Brand Development Fund. The council shall only serve in an advisory capacity and Franchisor shall select members of the council which may be comprised of employees of Franchisor, Franchisor, franchisees of the System and third-parties.

9.B. FRANCHISEE LOCAL MARKETING

Franchisee must spend on a monthly basis an amount not less than Two Percent (2%) of monthly Gross Sales on local marketing, including public relations, in the Designated Territory each monthly Accounting

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Period. On or before the first Friday of each month (or such other dates as may be specified by Franchisor), Franchisee must provide Franchisor with an accurate accounting of Franchisee's local marketing expenditures, public relations and marketing activities during the immediately preceding monthly Accounting Period. Franchisee agrees to provide to Franchisor such other periodic reports and records of such local marketing as may be requested by Franchisor. If the Franchisee's expenditures for local marketing activities do not aggregate the required percentage of Franchisee's Gross Sales annually, Franchisee must contribute the deficiency on local marketing as directed by Franchisor. Franchisee agrees that all local marketing and other marketing efforts of Franchisee must be pre-approved, in writing by Franchisor. Franchisor reserves all rights to reject any and all marketing efforts requested by Franchisee. Franchisee agrees that:

(1) Franchisee shall provide Franchisor with monthly reports documenting Franchisee's advertising initiatives (which must be approved by Franchisor and consistent with Franchisor's standards and specifications) and expenditures, including Profit and Loss Statements, advertising return on investment calculations and other documentation as Franchisor may request to evaluate Franchisee's local marketing and local marketing expenditures. Franchisee agrees that all of Franchisee's marketing efforts must be focused on media and marketing directed toward Franchisee's Designated Territory, and Franchisee shall not direct Franchisee's marketing and promotion efforts with the purpose of soliciting and/or attracting customers from outside of Franchisee's Designated Territory;

(2) Prior to the opening of the Franchised Business, Franchisee shall submit to Franchisor, Franchisee's grand opening marketing plan for review and approval by Franchisor. Franchisee shall only utilize those portions of its grand opening marketing approved by Franchisor. In accordance with Franchisee's grand opening marketing plan, provided same is approved by Franchisor, Franchisee will spend a minimum of $4,000 on the marketing and promotion of the grand opening of the Franchised Business prior to the earlier of the Actual Business Commencement Date or the Scheduled Business Commencement Date. Franchisee will provide Franchisor a written accounting of Franchisee's expenditures for grand opening marketing within thirty (30) days prior to the anticipated grand opening of the Franchised Business;

(3) Franchisee's marketing must be directed toward and contained within Franchisee's Designated Territory. Franchisee cannot direct or target Franchisee's local marketing outside of Franchisee's Designated Territory. To the extent that Franchisee's marketing efforts involve a marketing medium that is targeted toward Franchisee's Designated Territory but reaches outside of and beyond Franchisee's Designated Territory then Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right to approve or disapprove of such marketing solely on the basis of the distribution reach of such marketing efforts; and

(4) Franchisee hereby grants to Franchisor the right, without compensation to Franchisee, to use Franchisee's name, address, photograph, and biographical information in any publication related to the System, including in relation to the sale of other Angels Spas.

9.C. REQUIRED FRANCHISOR APPROVAL OF ALL MARKETING

All marketing and promotion of the Franchised Business and all marketing media utilized by Franchisee in the marketing and/or promotion of the Franchised Business must be professional and must conform to Franchisor's standards and specifications as set forth in the Operations Manual or as otherwise directed by Franchisor in writing. Before Franchisee uses any local marketing and promotional materials and/or media not prepared by or previously approved by Franchisor in writing, Franchisee shall submit samples of such materials to Franchisor for approval, which shall be at the discretion of Franchisor, in Franchisor's Reasonable Business Judgment. Provided that Franchisee has satisfied the notification requirements set forth in this Agreement, if Franchisor does not notify Franchisee that Franchisor disapproves the materials

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within fifteen (15) days from the date Franchisor receives the materials, then Franchisee may commence using the materials. However, Franchisor may still disapprove such materials by notice to Franchisee, and Franchisee must then cease using such materials upon receipt of such notice. Franchisee must not use any advertising or promotional materials that Franchisor has disapproved.

9.D. WAIVERS OR DEFERRALS

On written request from Franchisee with reasons supporting such request, Franchisor may, at Franchisor's sole discretion and on conditions Franchisor deems appropriate, temporarily waive or defer the obligations of Franchisee under the Brand Development Fund and/or, if applicable, Advertising Cooperative. In no event shall such waiver or deferral extend beyond six (6) months. However, at the end of any waiver or deferral period, Franchisee may resubmit a request for waiver or deferral of its obligations under the Brand Development Fund and/or, if applicable, Advertising Cooperative. Under no circumstance shall Franchisor be under any obligation to grant any waiver of deferral. Franchisor may reject Franchisees request for a waiver or deferral based on any reason or no reason at all.

9.E. DIGITAL MEDIA AND WEBSITE PROHIBITIONS

Franchisee agrees that Franchisee's use of Digital Media shall be subject to and require Franchisor's express written consent, which shall and may be withheld by Franchisor for any or no reason at all. Without limitation to the foregoing, Franchisee possess no right or authority to utilize Digital Media and Franchisee agrees that Franchisor reserves all rights respecting the marketing, sale and distribution of System Products and Services through Digital Media. Franchisee agrees that all Digital Media and Digital Media accounts associated with and/or relating to the Franchised Business and/or the System shall, upon demand of Franchisor, be transferred to Franchisor. Upon execution of this Agreement and any and all future dates demanded by Franchisor, Franchisee shall execute and deliver to Franchisor the Assignment of Telephone Numbers and Digital Media Accounts Agreement attached to this Agreement as Exhibit 9. Franchisee agree that the foregoing shall not be interpreted or construed as permitting Franchisee to establish, designate, utilize and/or otherwise establish accounts as to Digital Media respecting and/or concerning the Franchised Business and/or the System.

9.F. ADVERTISING COOPERATIVE

At all times Franchisor, in Franchisor's Reasonable Business Judgment, possesses the right to authorize, establish, designate and de-authorize a local or regional advertising cooperative within those markets that Franchisor designates (the "Advertising Cooperative"). Franchisee agrees that Franchisor possesses the sole and exclusive right to designate any geographic area in which two or more Spa franchises are located as a region for the purpose of establishing an Advertising Cooperative. If Franchisee's Spa or Designated Territory is located within the geographic area of an Advertising Cooperative, franchisee must participate in and contribute to the Advertising Cooperative. Franchisee agrees to the following:

(1) If Franchisor previously instituted or, in the future, institutes an Advertising Cooperative that includes, in whole or in part, Franchisee's Designated Territory or Franchisee's Spa Location, Franchisee shall participate in and make such on-going financial contributions to the Advertising Cooperative, as determined by the Advertising Cooperative;

(2) Franchisor may establish foundational and organizational requirements of the Advertising Cooperative including voting provisions that allows the Advertising Cooperative to make decisions based on the simple majority vote (one vote per franchisee Spa located within the designated area of the Advertising Cooperative) with a quorum constituting twenty-five percent of those franchisees within the Advertising Cooperative;

(3) Unless otherwise authorized and approved by Franchisor in writing, each Advertising Cooperative shall be organized for the exclusive purpose of administering marketing programs and

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the development of media (all subject to the review and approval of Franchisor) for use by members of the Advertising Cooperative in local or regional marketing;

(4) If at the time of execution of this Agreement an Advertising Cooperative has been established for a geographic area that includes, in whole or in part, Franchisee's Spa location or Designated Territory, or if such Advertising Cooperative is established during the Term of this Agreement, Franchisee shall fully participate in the Advertising Cooperative and Franchisee shall execute, at the request of Franchisor, all documents required by Franchisor and Franchisee shall become a member of the Advertising Cooperative subject to the terms of those documents;

(5) Franchisee shall contribute to the Advertising Cooperative in the amounts as determined and required by the Advertising or, otherwise in accordance with those documents governing the operation of the Advertising Cooperative; provided, however, Franchisee's contributions to the Advertising Cooperative shall not exceed Franchisee's local minimum marketing obligations set forth in Article 9.B. of this Agreement and Franchisee's contributions to the Advertising Cooperative shall count toward satisfaction of Franchisee's minimum local marketing obligations set forth in Article 9.B.;

(6) Franchisee shall submit to the Advertising Cooperative and to Franchisor such statements and reports as may be required by the Advertising Cooperative and approved by Franchisor. All contributions to the Advertising Cooperative shall be maintained and administered in accordance with the documents governing the Advertising Cooperative. The Advertising Cooperative shall be operated solely for the purpose of collection and expenditure of the Advertising Cooperative's fees for the purpose set forth in this Article.

(7) No marketing materials, plans, or media may be used by the Advertising Cooperative or its members without the prior written approval of Franchisor;

(8) Spas owned by Franchisor and/or Franchisor's affiliates that are located within the geographic area of the designated Advertising Cooperative are not required to make contributions to the Advertising Cooperative; and

(9) The Advertising Cooperative must comply with the rules and regulations established by Franchisor in the Operations Manual which may be modified by Franchisor from time to time.

ARTICLE 10
RELATIONSHIP OF THE PARTIES AND INDEMNIFICATION

10.A. INDEPENDENT CONTRACTORS

Franchisor and Franchisee acknowledge and agree that this Agreement does not create a fiduciary relationship between Franchisor and Franchise, Franchisor and Franchisee are independent contractors, and nothing in this Agreement is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. The parties' relationship is strictly a franchisor and franchise relationship.

Franchisee agrees that Franchisee is the sole employer of the employees of the Franchised Business. Franchisee has the sole right to select, hire and discharge Franchisee's employees. Franchisee is responsible for all decisions regarding hiring, firing, training, supervising, disciplining, scheduling and paying wages to, and withholding and paying taxes for Franchisee's employees. Franchisee, each Owner, each Spouse, and Franchisee's officers, directors, manager, agents, representatives, independent contractors and employees shall not be construed, considered, or represented as Franchisor's employees, representatives, or agents. Franchisee agrees that there is no joint employer relationship between Franchisor and Franchisee

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or Franchisee's employees. Franchisee's compliance with all federal, state and local labor laws rules and regulations shall be exclusively determined and managed by Franchisee. To the extent that the Operations Manual includes information, specifications, procedures, criteria and/or requirements as to employees of the Franchised Business, such requirements shall be interpreted exclusively for the purpose of maintaining brand standards associated with the System, to protect the good will associated with the System, and to ensure System uniformity requirements and standards concerning the System Products and Services, and under no circumstance shall same relate to the employer-employee relationship. As to the foregoing issue of "joint employer" and the non-existence thereof, in the event of any inconsistency or conflict between this Agreement and the Operations Manual, the terms of this Agreement shall take precedence and govern.

Franchisee must conspicuously identify itself at the premises of the Franchised Business and in all dealings with customers, lessors, contractors, suppliers, public officials and others as the owner of a Spa under a franchise from Franchisor, and Franchisee must place other notices of independent ownership on signs, forms, stationery, advertising and other materials as Franchisor requires.

Franchisee must not employ any Licensed Mark in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument, or other legal obligation. Franchisee must not employ any Licensed Mark in a manner that is likely to result in liability of Franchisor for any indebtedness, action, inaction, or obligation of Franchisee.

Franchisor and Franchisee shall not make any express or implied agreements, guaranties or representations, or incur any debt, in the name, or on behalf, of the other. Franchisor and Franchisee shall not represent that their relationship is anything other than franchisor and franchisee. Franchisor and Franchisee shall not be obligated by, or have any liability under, any agreements or representations made by the other that are not expressly authorized. Franchisor shall not be obligated for any damages to any person or property directly or indirectly arising out of the operation of the Franchised Business, whether or not caused by Franchisee's negligent, willful act or failure to act.

Franchisor shall have no liability for any sales, use, excise, gross receipts, property or other taxes, whether levied upon Franchisee, the Franchised Business or its assets, or upon Franchisor in connection with sales made, services performed or business conducted by Franchisee.

10.B. INDEMNIFICATION BY FRANCHISEE

Franchisee and each Owner shall indemnify, defend through counsel acceptable to Franchisor, and hold Franchisor, Franchisor's affiliates, and their respective officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisor Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigation, hearing, and/or damages arising out of, or relating to, Franchisee's Spa Facility, Franchisee's Spa Location, and/or the Franchised Business (including, without limitation, the ownership and operation of the Franchised Business), unless such loss, expense, claim, cause of action, lawsuit, liability, tax, cost, demand, proceeding, or damage is solely due to Franchisor's gross negligence, and Franchisee shall pay all of the Franchisor Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisor Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisor Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses. At the expense and risk of Franchisee and each Owner, Franchisor may elect to assume (but is not obligated to undertake) the defense and/or settlement of any action, lawsuit, proceeding, claim, or demand. Such an election by Franchisor to assume its defense shall not diminish the obligation of Franchisee and each Owner to indemnify, defend and hold harmless Franchisor. Franchisee and each Owner acknowledge and agree that the terms of this Article 10.B shall survive the termination, expiration or

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Transfer of this Agreement.

Under no circumstances are the Franchisor Indemnified Parties required or obligated to seek recovery from third parties or otherwise mitigate their respective losses in order to maintain a claim against Franchisee or any Owner. Franchisee and each of the Owners agree that Franchisor's failure to pursue recovery or mitigate loss in no way reduces the amounts recoverable from Franchisee or any Owner.

10.C. INDEMNIFICATION BY FRANCHISOR

Franchisor shall indemnify, defend, and hold Franchisee and Franchisee's officers, directors, shareholders, members, owners, partners, agents, representatives, independent contractors, employees, assigns and successors (the "Franchisee Indemnified Parties") harmless from all losses, expenses, claims, causes of action, lawsuits, liabilities, taxes, costs, demands, proceedings, investigation, hearing, and/or damages solely arising out of, or solely relating to, Franchisor's gross negligence in the operation of Franchisee's Angels Spa that was the direct cause of any such loss, expense, liability or damage provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing, and Franchisor shall pay all of the Franchisee Indemnified Parties' reasonable costs, fees and expenses of defending any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing brought against any of the Franchisee Indemnified Parties or any such claim, cause of action, lawsuit, demand, proceeding, investigation, and/or hearing in which any of the Franchisee Indemnified Parties is named as a party, including, without limitation, reasonable accountant fees, attorney fees, and expert witness fees, court costs, deposition fees, travel expenses and other litigation expenses provided Franchisee immediately notifies Franchisor of such claim, cause of action, lawsuit, demand, proceeding, investigation or hearing. Franchisor agrees that the terms of this Article 10.C shall survive the termination, expiration or Transfer of this Agreement.

ARTICLE 11
LICENSED MARKS AND SYSTEM; INNOVATIONS TO SYSTEM

11.A. OWNERSHIP AND GOODWILL

Franchisee agrees that Franchisor is the owner of all right, title and interest in and to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System. Except as otherwise specifically provided in this Agreement, Franchisee further agrees that Franchisee possesses no interest or right, whatsoever, in or to the Licensed Marks, the System, Web Based Media, Published Content and the goodwill associated with the Licensed Marks and the System, and Franchisee's right to use the Licensed Marks and the System is derived solely from this Agreement. Any unauthorized use of the Licensed Marks and/or the System by Franchisee or any of Franchisee's affiliates shall constitute an infringement of the rights of Franchisor in and to the Licensed Marks and/or the System. Franchisee agrees that all usage of the Licensed Marks and/or the System by Franchisee, and all goodwill associated with the Licensed Marks and System, shall exclusively benefit Franchisor without granting any goodwill interests or rights to Franchisee except for Franchisee's non-exclusive interest and limited right to use the Licensed Marks and the System in the operation of the Franchised Business, subject to the terms and conditions of this Agreement. Franchisee shall not, at any time during the Term or after the expiration, termination or Transfer of this Agreement, contest the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System, and at no time shall Franchisee assist any other person in contesting the validity or ownership of the Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System. Franchisee and each Owner shall not take any action that prejudices or interferes with the validity of Franchisor's rights with respect to Licensed Marks, the System, Web Based Media, Published Content, and/or the goodwill associated with the Licensed Marks and the System.

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11.B. USE OF THE LICENSED MARKS

Franchisee agrees that the Licensed Marks shall be the sole identification of the Franchised Business. Franchisee must operate, advertise and market the Franchised Business only under the Licensed Marks as designated and specified by Franchisor in Franchisor's Reasonable Business Judgment. Franchisee shall not use the Licensed Marks as part of its corporate or other legal name, and Franchise shall not use the Licensed Marks with modifying words, terms, designs, or symbols, or in any modified form. Franchisee shall comply with Franchisor's instructions in filing and maintaining their requisite trade name or fictitious name registrations as may be required by applicable law.

11.C. NOTIFICATION OF INFRINGEMENT AND CLAIMS

Franchisee must notify Franchisor immediately in writing of any apparent infringement of, or challenge to, Franchisee's use of any Licensed Mark and/or the System or of any claim by any person claiming any rights in any manner with respect to the Licensed Mark, the System, or any similar trade name, trademark or service mark of which Franchisee becomes aware. Franchisee must not communicate with any person other than Franchisor and its counsel in connection with any infringement, challenge, or claim by any third party to the Licensed Marks and/or the System. Franchisor and/or Franchisor's licensor shall possess sole and complete discretion, in Franchisor's Reasonable Business Judgment, to take any action and/or to refrain from taking action, Franchisor and/or Franchisor's licensor deems appropriate, including, without limitation, the right to exclusively control any litigation or administrative proceeding arising out of, or relating to, any infringement, challenge, claim or otherwise relating to any Licensed Mark and/or the System. Franchisee agrees to execute all documents, render assistance, and take all actions as may be necessary or advisable to protect and maintain the interests of Franchisor and/or Franchisor's licensor in any litigation or administrative proceeding or to otherwise protect and maintain, as directed by Franchisor, the interests of Franchisor and/or Franchisor's licensor in the Licensed Marks. Franchisor will reimburse Franchisee for reasonable direct expenses incurred by Franchisee in assisting Franchisor in any such litigation or administrative proceeding provided Franchisee timely notifies Franchisor of such litigation or administrative proceeding, and Franchisee complies with the written instructions of Franchisor respecting any such litigation or administrative proceeding.

11.D. DISCONTINUANCE OF USE OF LICENSED MARKS

Franchisee agrees that at any time should Franchisor determine, in Franchisor's sole discretion and based on Franchisor's Reasonable Business Judgment, that it is advisable for Franchisor, the System, and/or Franchisee to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, then Franchisee shall comply with Franchisor's determination and instructions as to the replacement, modification, substitution, and/or discontinuance of such Licensed Mark(s). Franchisee shall comply within the foregoing requirements within a reasonable time period after notice by Franchisor. If Franchisee is required to take action pursuant to instruction by Franchisor pursuant to this Article 11.D or, if Franchisee is otherwise required to replace, modify, substitute, and/or discontinue use of any of Licensed Marks, the sole liability and obligation of Franchisor to Franchisee shall be to reimburse Franchisee for the reasonable and direct costs incurred by Franchisee in complying with this obligation, which Franchisee shall document to the satisfaction of Franchisor. Franchisor maintains the exclusive right, in Franchisor's Reasonable Business Judgment, to, in whole or in part, replace, modify, substitute and/or discontinue any and all features and/or components of the Licensed Marks and/or the System at any time.

11.E. INDEMNIFICATION OF FRANCHISEE

If Franchisee is sued in a legal proceeding or is threatened with legal action and/or a notice of infringement by a third party where the claims and/or causes of action directly relate to a third-party claiming trademark infringement, unfair competition, and/or trademark dilution as a result of Franchisee's use of the Licensed Marks in accordance with the terms of this Agreement and the System (the "IP Claim"), then Franchisor shall indemnify Franchisee for the reasonable and direct costs incurred by Franchisee and/or a judgment entered against Franchisee, provided: (i) Franchisee immediately notified Franchisor of the IP Claim by a

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written notice sent to Franchisor via priority overnight courier; (ii) Franchisee provided and afforded Franchisor the absolute opportunity and right to defend against the IP Claim and to select and appoint legal counsel of Franchisor's choosing; and (iii) Franchisee utilized the Licensed Marks in accordance with the terms of this Agreement and the System. Franchisee agrees that time is of the essence with respect to notifying Franchisor of the IP Claim in accordance with this Agreement, including this Article 11.E.

11.F. OWNERSHIP OF INNOVATIONS, IMPROVEMENTS AND CUSTOMER INFORMATION

Franchisee agrees that with regard to the Franchised Business, all customer lists, including the contents and information contained in all customer lists, constitute Confidential Information and an asset of Franchisor whether or not such information was supplied by Franchisor. During the Term, and in connection with the development, establishment, marketing, promotion and operation of the Franchised Business, Franchisee shall disclose to Franchisor all of Franchisee's ideas, concepts, methods, and products conceived or developed by Franchisee, any Owner, and/or Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees relating to the development and operation of Angels Spas and the System. Franchisee hereby assigns to Franchisor, and Franchisee agrees to procure an assignment of any such ideas, concepts, methods, and products that Franchisee is required to disclose to Franchisor under this Article 11.F from each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees. Franchisor shall have no obligation to tender any lump sum payment, on-going payments, or any other consideration to Franchisee, any Owner, each Owner and Franchisee's affiliates, officers, directors, shareholders, partners, agents, members, representatives, independent contractors, servants and employees with respect to any such idea, concept, method, technique or product. Franchisee agrees that Franchisee shall not use, or allow any other person or entity to use, any such concept, method, technique, or product without obtaining Franchisor's prior written approval.

ARTICLE 12
RECORDS AND REPORTS

12.A. MAINTENANCE AND PRESERVATION OF RECORDS.

Franchisee shall maintain during the Term and preserve for at least three (3) years from the dates of their preparation, full, complete and accurate books, records, and accounts from the Franchised Business. Such records shall be maintained and preserved in the form and manner by Franchisor in the Operations Manual or otherwise in writing.

12.B REPORTING OBLIGATIONS.

Franchisee shall comply with the following reporting obligations:

(1) Franchisee shall submit to Franchisor, in the form Franchisor reasonably prescribes, an unaudited monthly profit and loss statement and balance sheet for the Franchised Business within sixty (60) days after the end of each month during the Term. If Franchisee fails to submit the profit and loss statement and balance sheet within the time period specified in this Article 12, Franchisor will assess a late fee in the amount of $100 against Franchisee. Because Franchisor's administrative, incidental and indirect costs, expenses and damages would be difficult, if not impossible to ascertain in the event such documentation is not timely tendered by Franchisee to Franchisor, the foregoing late charge was negotiated by the parties as liquidated damages and not a penalty. Payment of such late fee shall not constitute a cure of Franchisee's reporting obligations under this Article 12.B, and such payment shall not relieve Franchisee of its reporting obligations under this Agreement;

(2) Franchisee shall provide to Franchisor annual financial statements for Franchisee reviewed by an independent certified public accountant in accordance with GAAP within ninety (90) days after

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the end of Franchisee's fiscal year. Franchisor reserves the right to require such financial statements to be audited by an independent certified public accountant satisfactory to Franchisor at Franchisee's cost and expense. The annual financial statements of Franchisee must reconcile Gross Sales per GAAP to Gross Sales per this Agreement;

(3) Franchisee shall provide to Franchisor, Franchisee's annual federal, state and local tax returns as same are prepared and submitted to the applicable federal, state and local entities. Said tax returns shall be submitted to Franchisor within forty-five (45) days of Franchisee or Franchisee's agent filing such returns with the applicable federal, state and local entities; and

(4) Franchisee shall timely submit to Franchisor, any other forms, reports, records, information, and data as Franchisor may reasonably request.

ARTICLE 13
INSPECTION AND AUDITS

13.A. FRANCHISOR'S RIGHT TO INSPECT THE FRANCHISED BUSINESS

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to inspect Franchisee's Spa Facility. Franchisee shall fully cooperate with representatives of Franchisor making any inspection and permit such representatives of Franchisor to take photographs, movies, or videos of Franchisee's Spa Facility and interview employees and customers of the Franchised Business, so long as Franchisee's ability to operate the Franchised Business is not materially and unreasonably impeded. Franchisee has the right to request and receive copies of all reports, transcripts, videos, recordings, photographs, and media made in the course of the inspection within ten (10) days after Franchisor's said request.

13.B. FRANCHISOR'S RIGHT TO EXAMINE BOOKS AND RECORDS

Franchisor has the right at any time during business hours, and without prior notice to Franchisee, to examine or audit, or cause to be examined or audited by a third party, the business records, cash control devices, bookkeeping and accounting records, bank statements, sales and income tax records and returns, and other books, statements, and records of the Franchised Business and Franchisee. Franchisee shall maintain complete and accurate copies all such books, statements, records and supporting documents at all times at Franchisee's Spa Facility. Franchisee must fully cooperate with Franchisor, representatives of Franchisor, and third parties hired by Franchisor to conduct any such examination or audit.

ARTICLE 14
TRANSFER OF INTEREST

14.A. BY THE FRANCHISOR

At all times, Franchisor possesses and maintains the sole, absolute and unilateral right to Transfer and/or assign Franchisor's rights and obligations under this Agreement and the Ancillary Agreements, in whole and/or in part (for any purpose and in any form of transaction as may be designated and/or elected by Franchisor, in Franchisor's sole discretion) to any person, entity, Corporate Entity and/or third-party without the consent of Franchisee and without the approval of Franchisee or any other party. Nothing contained in this Agreement shall prevent, prohibit, restrict, hinder, enjoin or otherwise restrain Franchisor from selling, transferring, conveying, or assigning this Agreement and the Ancillary Agreements, and/or Franchisor's rights and obligations under this Agreement and the Ancillary Agreements, to any person, entity, Corporate Entity or other third party. Franchisor has an unrestricted and unequivocal right to Transfer and/or assign any of its rights or obligations under this Agreement and the Ancillary Agreements, in whole or in part, in Franchisor's sole discretion. In the event Franchisor Transfers and/or assigns this Agreement and/or the Ancillary Agreements, and/or any or all of Franchisor's rights and obligations set forth in this Agreement and/or the Ancillary Agreements, to a person, an entity, Corporate Entity, or other third party,

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this Agreement and the Ancillary Agreements, shall survive, remain in full force and effect, and inure to the benefit of the purchaser, transferee, conveyed, and/or assignee of this Agreement and/or the Ancillary Agreements and/or Franchisor's rights and obligations under this Agreement and/or the Ancillary Agreements.

14.B. FRANCHISEE MAY NOT TRANSFER WITHOUT FRANCHISOR APPROVAL

Franchisee agrees, and, Franchisee represents and warrants that Franchisee's Owners understand and agree, that the rights and duties set forth in this Agreement are personal to Franchisee and each Owner. Therefore, Franchisee agrees that:

(1) No ownership interest of any Owner in Franchisee may be Transferred without the prior written consent of Franchisor;

(2) No obligations, rights or interest of Franchisee in (a) this Agreement, (b) the lease or ownership interests in Franchisee's Spa Location and Franchisee's Spa Facility, (c) the Franchised Business, or (d) all or substantially all of the assets of the Franchised Business may be Transferred without the prior written consent of Franchisor. This restriction shall not prohibit Franchisee from granting a mortgage, charge, lien, or security interest in the assets of the Franchised Business or this Agreement for the exclusive purpose of securing financing for the initial development (occurring prior to the Actual Business Commencement Date) of the Franchised Business;

(3) Without limitation to the foregoing, any Transfer by Franchisee respecting and/or relating to this Agreement and/or the Franchised Business and/or assets associated with the Franchised Business will require the prior written consent of Franchisor where such Transfer occurs by virtue of: (a) divorce or legal dissolution of marriage; (b) insolvency; (c) dissolution of a Corporate Entity; (d) last will and testament; (e) intestate succession; or (f) declaration of, or transfer in trust;

(4) Any purported Transfer without the written consent of Franchisor, or otherwise in violation of this Agreement including, but not limited to this Article 14.B. shall constitute a breach of this Agreement and shall convey to the transferee no rights or interests in this Agreement; and

(5) In the event of a Transfer of this Agreement that is approved by Franchisor, Franchisee shall not be relieved of Franchisee's obligations under this Agreement whether said obligations accrued and/or arose prior to and/or after the date of Transfer.

14.C. CONDITIONS FOR APPROVAL OF TRANSFER

Provided Franchisee and each Owner and Spouse, respectively, are in substantial compliance with this Agreement and the Ancillary Agreements, and Franchisor does not elect to exercise Franchisor's right of first refusal as set forth in Article 14.F below, Franchisor shall not unreasonably withhold its approval of a Transfer by Franchisee or an Owner. The proposed transferee (including such assignee's owner(s) and spouse(s) if the proposed transferee is a Corporate Entity) must be of good moral character, have sufficient business experience, aptitude and financial resources to own and operate an Angels Spa, and otherwise meet Franchisor's then applicable standards for franchisees as determined by Franchisor in its sole, but reasonable discretion. Furthermore, the proposed transferee and the proposed transferee's owners and spouses may not own or operate, or intend to own or operate, a Competitive Business. Franchisee agrees that Franchisor may condition approval of a Transfer upon Franchisee's satisfaction (either before, or contemporaneously with, the effective date of the Transfer) of the following:

(1) Franchisee must provide written notice to Franchisor of the proposed Transfer of this Agreement at least thirty (30) days prior to the Transfer, and Franchisee must have also satisfied the obligations set forth in Article 14.F below;

(2) All accrued monetary obligations of Franchisee and all other outstanding obligations to

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Franchisor and/or Franchisor's affiliates under this Agreement and the Ancillary Agreements must be satisfied in a timely manner, and Franchisee must satisfy all trade, supplier, and vendor accounts and other debts, of whatever nature or kind, in a timely manner;

(3) Franchisee, each Owner, and each Spouse must not be in default or material breach of this Agreement or the Ancillary Agreements;

(4) The transferee shall be bound by all terms and conditions of this Agreement, and each owner of the transferee and their respective spouses shall personally execute the Franchise Owner and Spouse Agreement and Guaranty in the form attached to this Agreement as Exhibit 1. Each owner of the transferee shall also be required to execute the Joinder Agreement in the form attached to this Agreement as Exhibit 2 and such further agreements designated by Franchisor whereby the proposed transferee assumes each and every obligation and responsibility of Franchisee as set forth in this Agreement;

(5) All obligations of Franchisee under this Agreement and the Ancillary Agreements shall be assumed by the transferee, each individual owner of transferee, and their respective spouses in a manner satisfactory to Franchisor;

(6) Franchisee, each Owner, and each Spouse must execute the General Release attached to this Agreement as Exhibit 10 releasing Franchisor, Franchisor's Affiliates and Franchisor's past and present officers, directors, shareholders, members, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on, or before, the effective date of the Transfer;

(7) If the proposed Transfer includes or entails the Transfer of this Agreement, substantially all of the assets of the Franchised Business, a controlling interest in Franchisee, or is one of a series of Transfers which in the aggregate Transfers substantially all of the assets of the Franchised Business or a controlling interest in Franchisee, then, at the election of Franchisor and upon notice from Franchisor to Franchisee, the transferee may be required to execute (and/or, upon Franchisee's request, shall cause all interested parties to execute) for a term ending on the expiration date of the original Term of this Agreement, the then-current standard form franchise agreement offered to new franchisees of Angels Spas and any other agreements as Franchisor requires. Such agreements shall supersede this Agreement and its associated agreement in all respects, and the terms of Franchisor's then-current agreements may differ from the terms in this Agreement, provided that such agreements shall provide for the same Royalty Fee, Advertising Contributions, and all other financial or monetary obligations established in this Agreement;

(8) Unless Franchisee has met the requirements of Article 3.E within the five (5) year period immediately preceding the Transfer, the transferee, at its expense, must improve, modify, refurbish, renovate, remodel, and/or otherwise upgrade Franchisee's Angels Spa Facility to conform to the then-current standards and specifications of Franchisor, and the transferee must complete such improvements, modifications, refurbishments, renovations, remodeling, and/or upgrading within the time period Franchisor reasonably specifies;

(9) Franchisee, each Owner, and each Spouse shall remain liable for all obligations to Franchisor set forth in this Agreement;

(10) At the transferee's expense, the transferee, and the transferee's managing owner, managers and/or any other applicable employees of transferee's Angels Spa must complete any training programs then in effect for franchisees of Angels Spas upon terms and conditions set forth in this Agreement or as Franchisor otherwise reasonably requires;

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(11) Franchisee must pay the Transfer Fee to Franchisor;

(12) Franchisor's approval of the material terms and conditions of the Transfer, and Franchisor determines in Franchisor's Reasonable Business Judgment that the price and terms of payment are not so burdensome as to be detrimental to the future operations of the Franchised Business by the transferee;

(13) Transferee's employees, directors, officers, independent contractors, and agents who will have access to Confidential Information shall execute the Confidentiality Agreement attached hereto as Exhibit 4;

(14) Franchisee entering into an agreement with Franchisor agreeing to subordinate any obligations of transferee to make installment payments of the purchase price to Franchisee to the transferee's obligations to Franchisor, including, without limitation, transferee's obligations with respect to Royalty Fees, Advertising Contributions;

(15) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer indicates only that the transferee meets, or Franchisor waived, the criteria established by Franchisor for franchisees as of the time of such transfer, and Franchisor's approval thereof does not constitute a warranty or guaranty by Franchisor, express or implied, of the suitability of the terms of sale, successful operation, or profitability of the Franchised Business;

(16) Franchisee and transferee acknowledge and agree that Franchisor's approval of the Transfer at issue does not constitute Franchisor's approval of future or other Transfers or the waiver of the requirement that Franchisor must approve such future or other Transfers in accordance with this Agreement;

(17) The Transfer must be made in compliance with all applicable laws;

(18) The Transfer of the Franchised Business, the lease for Franchisee's Angels Spa Facility, Spa Location and the assets of the Franchised Business shall be made only in conjunction with a Transfer of this Agreement, approved by Franchisor in accordance with and subject to this Article 14 and the terms and conditions of this Agreement; and

(19) Franchisor's consent to a Transfer of any interest that is subject to the restrictions of this Agreement shall not constitute a waiver of any claims it may have against Franchisee or deemed a waiver of Franchisor's right to demand strict and exact compliance with this Agreement by the transferee.

14.D. DEATH OR DISABILITY OF FRANCHISEE OR AN OWNER

(1) If Franchisee is an individual and not a Corporate Entity, upon the death or permanent disability of Franchisee, the executor, administrator, conservator or other personal representative of Franchisee, must appoint a manager that meets the equivalent of an Operating Manager within a reasonable time, which shall not exceed thirty (30) days from the date of death or permanent disability. The appointed manager (as applicable) must serve and qualify as an Operating Manager and attend and successfully complete the Training Program within sixty (60) days of the appointment. If Franchisee's Spa is not being managed by a Franchisor approved Operating Manager (as applicable) within thirty (30) days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's Spa for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Operating Manager is able to assume the management and operation of Franchisee's Spa.

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Franchisor's appointment of a manager for Franchisee's Spa does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's Spa may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's Spa or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's Spa. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time.

(2) If Franchisee is a Corporate Entity, upon the death or permanent disability of Franchisee's Managing Owner, the remaining Owners within a reasonable time, which shall not exceed thirty (30) days from the date of death or permanent disability must appoint a new Managing Owner that is approved by Franchisor. The appointed Managing Owner must attend and successfully complete the Training Program within sixty (60) days of the appointment. If Franchisee's Spa is not being managed by a Franchisor approved Managing Owner (as applicable) within thirty (30) days after such death or permanent disability, Franchisor is authorized, but is not required, to immediately appoint a manager to maintain the operations of Franchisee's Spa for, and on behalf of, Franchisee at Franchisee's sole costs until an approved Managing Owner is able to assume the management and operation of Franchisee's Spa. Franchisor's appointment of a manager for Franchisee's Spa does not relieve Franchisee of its obligations under this Agreement, including this Article 14.D., or constitute a waiver of Franchisor's right to terminate this Agreement pursuant to Article 16, below. At all times, including while Franchisee's Spa may be managed by Franchisor's appointed manager, Franchisor shall not be liable for any debts, losses, costs, or expenses incurred in the operations of Franchisee's Spa or to any creditor of Franchisee for any products, materials, supplies or services purchased by Franchisee's Spa. Franchisor has the right to charge a reasonable fee for such management services and may cease to provide management services at any time.

Notwithstanding the foregoing, if Franchisee is a Corporate Entity and the Managing Owner is the only Owner of Franchisee, then Article 14.D(1) shall apply as if the Managing Owner were the sole individual Franchisee.

(3) Upon the death of Franchisee or any Owner, the executor, administrator, conservator or other personal representative of that deceased person must transfer his interest to a person Franchisor approves within a reasonable time, not to exceed twelve (12) months from the date of death.

(4) If Franchisee is an individual, then in the event of the death or permanent disability of Franchisee, this Agreement may be Transferred to any designated person, heir or beneficiary without the payment of the Transfer Fee. Notwithstanding the immediately foregoing sentence, the Transfer of this Agreement to such transferee of Franchisee shall be subject to the applicable terms and conditions of this Article 14, and the Transfer shall not be valid or effective until Franchisor has received the properly executed legal documents, which Franchisor's attorneys deem necessary to properly and legally document such Transfer of this Agreement. Furthermore, said transferee must agree to be unconditionally bound by the terms and conditions of this Agreement, personally guarantee the performance of Franchisee's obligations under this Agreement, and execute the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2.

14.E. TRANSFER TO WHOLLY OWNED CORPORATE ENTITY

In the event Franchisee is an individual/are individuals, this Agreement may be Transferred by Franchisee to a Corporate Entity (the "Assignee Corporate Entity"), provided that: (a) Franchisee has provided Franchisor with thirty (30) days prior written notice of the proposed Assignment of this Agreement; (b) Franchisee (individually, jointly and severally as to each individual Franchisee) sign and be bound by the

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Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2; (c) the Spouse of each Franchisee (individually, jointly and severally as to each individual Spouse) sign and be bound by the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1; (d) Franchisee has provided Franchisor with true and accurate copies of corporate formation documents related to the Assignee Corporate Entity and the ownership of the Assignee Corporate Entity and has further provided Franchisor with all additional documentation as Franchise may request concerning the proposed assignment and/or Assignee Corporate Entity; and (e) Franchisee is otherwise in compliance with the terms and conditions of this Agreement and any Ancillary Agreements. Franchisee agrees that an assignment to an Assignee Corporate Entity shall not relieve Franchisee of Franchisee's individual obligations under this Agreement as such obligations existed between Franchisee and Franchisor prior to the date of any assignment to the Assignee Corporate Entity.

14.F. FRANCHISOR'S RIGHT OF FIRST REFUSAL

If Franchisee or an Owner desires to engage, in whole or in part, in a Transfer of Franchisee, this Agreement, Franchisee's Spa, Franchisee's Spa Facility, and/or Franchisee's Spa Location, then Franchisee or such Owner (as applicable) must obtain a bona fide, signed written offer from the fully disclosed purchaser (the "Offer") and submit an exact copy of the Offer to Franchisor. Franchisor shall have thirty (30) days after receipt of the Offer to decide whether Franchisor will purchase the interest in Franchisee, Franchisee's Spa, Franchisee's Spa Facility, and/or Franchisee's Spa Location for the same price and upon the same terms contained in the Offer (however, Franchisor may substitute cash for any form of payment proposed in the Offer). If Franchisor notifies Franchisee that Franchisor intends to purchase the interest within said thirty (30) day period, Franchisee or Owner (as applicable) must sell the interest to Franchisor. Franchisor will have at least an additional sixty (60) days to prepare for closing. Franchisor shall be entitled to receive from Franchisee or Owner (as applicable) all customary representations and warranties given by Franchisee or Owner (as applicable) as the seller of the assets and/or the ownership interest or, at Franchisor's election, the representations and warranties contained in the offer. If Franchisor does not exercise its right of first refusal, Franchisee or Owner (as applicable) may complete the Transfer to the purchaser pursuant to and in accordance with the terms of the Offer, provided that separate and apart from this Article 14.F right of first refusal, Franchisee complies with the terms of this Article 14. However, if the sale to the purchaser is not completed within one hundred twenty (120) days after delivery of the Offer to Franchisor, or there is a material change in the terms of the sale, Franchisor will again have the right of first refusal specified in this Article 14.F. Franchisor's right of first refusal in this Article 14.F shall not apply to any Transfer pursuant to Article 14.E of this Agreement.

ARTICLE 15
RENEWAL OF FRANCHISE

15.A. FRANCHISEE'S RIGHT TO RENEW

Subject to Franchisee's satisfaction of the terms and conditions of this Article 15, Franchisee possesses the option to renew the franchise for Franchisee's Spa for one additional ten (10) year Renewal Term, provided that:

(1) Franchisee has complied with the terms and conditions of this Agreement and, without limitation to the foregoing, has operated Franchisee's Spa in conformity with the System and has not otherwise breached this Agreement at any time;

(2) Franchisee maintains possession of Franchisee's Spa Facility and Franchisee's Spa Location and/or a substitute thereof that is approved by Franchisor and located within the Designated Territory;

(3) Franchisee agrees to update the condition, appearance and functionality of Franchisee's Spa Facility and Franchisee's Spa Location and to otherwise modify Franchisee's Spa Facility and Franchisee's Spa Location in compliance with specifications and standards then applicable for new

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Angels Spas;

(4) Franchisee pays the Renewal Fee; and

(5) Franchisee complies with the terms and conditions of Article 15.

15.B. NOTICE OF RENEWAL AND NON-RENEWAL

Franchisee must give Franchisor written notice of Franchisee's election to renew this Agreement not less than one hundred and eighty (180) days before the end of the Term.

15.C. RENEWAL FRANCHISE AGREEMENT

Subject to the satisfaction of the conditions set forth in this Article 15, to renew the franchise license and to obtain the right to continue to operate the Franchised Business (a) Franchisor and Franchisee execute and become parties to Franchisor's then current franchise agreement and Franchisor's then current ancillary agreements that Franchisor then designates and customarily uses in the grant of franchises for Angels Spas at the time of renewal, and (b) each Owner and Spouse must execute and become parties to an individual personal guarantee similar to the Franchise Owner and Spouse Agreement and Guaranty attached hereto as Exhibit 1 and an agreement similar to the Joinder Agreement attached hereto as Exhibit 2. The terms of the renewal franchise agreement and ancillary agreements may differ from the terms of this Agreement and the Ancillary Agreements, including, without limitation, requiring higher advertising contributions and higher royalty fees. Franchisee, each Owner and each Spouse may be required to execute further documents, instruments or agreements that Franchisor customarily requires in the grant of franchises for Angels Spas at the time of renewal. Failure by Franchisee, each Owner, and/or each Spouse to execute the foregoing documents, instruments, and agreements within thirty (30) days after delivery to Franchisee shall be deemed an election by Franchisee not to renew the franchise.

15.D. CONDITIONS FOR RENEWAL

In addition to the conditions and requirements stated above in this Article 15, each and every one of the following conditions and requirements must be satisfied by Franchisee before and at the time of renewal:

(1) Franchisee, each Owner and each Spouse (as applicable) must not be in material default of any provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements; and Franchisee must have substantially and timely complied with all the terms and conditions of all agreements with Franchisor and Franchisor's affiliates;

(2) Franchisee must have timely satisfied all monetary obligations owed by Franchisee to Franchisor and under this Agreement, the Ancillary Agreements, and any other agreement between Franchisee and any of Franchisor's affiliates;

(3) Franchisee must present satisfactory, evidence that Franchisee has the right to remain in possession of Franchisee's Spa Facility and Franchisee's Spa Location or obtain Franchisor's approval for a new Spa Facility and Franchisee's Spa Location within the Designated Territory (if any) for the operation of the Franchisee's Spa for the duration of the Renewal Term of this Agreement;

(4) Based upon an assessment of Franchisee's needs conducted by Franchisor prior to renewal, Franchisee must undertake such additional training, if any, as necessary to comply with Franchisor's then-current training requirements; and

(5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal,

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state or local laws, rules, regulations, or orders. If precluded by law from giving a general release, Franchisee shall execute an estoppel statement.

ARTICLE 16
DEFAULTS AND REMEDIES

16.A. TERMINATION BY FRANCHISOR

(1) **Automatic Termination** – Franchisee shall be in default of this Agreement, and Franchisee's rights under this Agreement shall be automatically and immediately terminated, without notice to Franchisee and without providing Franchisee any opportunity to cure, upon the occurrence of any one or more of the following actions, inactions, events, and/or circumstances:

(a) Franchisee becomes insolvent;

(b) Franchisee makes a general assignment for the benefit of creditors or takes any other similar action for the protection or benefit of creditors;

(c) Franchisee admits in writing Franchisee's inability to pay its debts as they mature;

(d) Franchisee gives notice to any governmental body or agency of insolvency, pending insolvency, suspension of operations and/or pending suspension of operations;

(e) Franchisee files a voluntary petition in bankruptcy;

(f) Franchisee is adjudicated bankrupt or insolvent;

(g) An involuntary petition in bankruptcy is filed against Franchisee;

(h) Franchisee files any petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or other similar relief under any applicable federal and/or state law relative to bankruptcy, insolvency or similar relief for debtors;

(i) A court of competent jurisdiction enters an order, judgment or decree approving a petition filed against Franchisee seeking any relief described in Article 16.A(1)(h), and (1) Franchisee acquiesces in the entry of such order, judgment or decree (the term "acquiesce" as used in this Article 16.A(1)(i) shall include, without limitation, Franchisee's failure to file a petition or motion to vacate or discharge any order, judgment or decree within sixty (60) days after entry of such order, judgment or decree), or (2) such order, judgment or decree shall remain for an aggregate of sixty (60) days, whether or not consecutive, from the date of entry thereof;

(j) Franchisee seeks, consents to, or acquiesces in, the appointment of any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee;

(k) A bill in equity or other proceeding for the appointment of any trustee, receiver, conservator, custodian or liquidator of Franchisee for Franchisee's business or any assets of Franchisee is filed and Franchisee consents to same;

(l) A court of competent jurisdiction appoints or orders any trustee, receiver, conservator, custodian or liquidator for Franchisee's business or any assets of Franchisee and such appointment or order remains for an aggregate of sixty (60) days, whether or not consecutive, from the date of entry thereof;

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(m) Franchisee initiates proceedings for a composition with creditors under any state or federal law or such a proceeding is initiated against Franchisee;

(n) This Agreement, or any of Franchisee's rights under this Agreement, is levied upon under any attachment or execution;

(o) Execution is levied upon or against Franchisee's business or any assets of Franchisee;

(p) A final judgment against Franchisee remains of record or unsatisfied for thirty (30) days or more, unless an appeal and/or supersedeas bond is filed;

(q) Franchisee is dissolved;

(r) A cause of action or lawsuit to foreclose any lien or mortgage against Franchisee's Spa Location if Franchisee is the fee simple owner of Franchisee's Spa Location;

(s) A cause of action or lawsuit to foreclose any lien against equipment used in the operation of Franchisee's Spa or located at Franchisee's Spa Location is instituted against Franchisee and not dismissed within sixty (60) days after the summons is served on Franchisee;

(t) Real or personal property of Franchisee utilized in the operation of Franchisee's Spa is sold after levy thereupon by any sheriff, marshal or other law enforcement officer;

(u) Upon termination by Franchisor pursuant to Article 16.A(2) of this Agreement; and/or

(v) Upon termination by Franchisor pursuant to Article 16.A(3) of this Agreement.

(2) **Automatic Termination Upon Written Notice** – Franchisee shall be in default of this Agreement and Franchisee's rights under this Agreement may be terminated by Franchisor, in Franchisor's sole discretion, upon written notice from Franchisor to Franchisee of any one of the following events and/or the occurrence of any one or more of the following actions, events and/or circumstances with such termination effective on the date of Franchisor's notice:

(a) Franchisee abandons, surrenders and/or fails to continuously and actively operate Franchisee's Spa, unless prevented by casualty if such casualty is repaired or otherwise remedied in accordance with Article 7.D;

(b) Franchisee refuses to submit to Franchisor any records, reports, videotapes, recordings, books, accounts, statements, data, documentation or other information in accordance with this Agreement or Franchisee fails on more than three (3) occasions during the Term to timely submit to Franchisor any records, reports, videotapes, recordings, books, accounts, statements, data, documentation or other information in accordance with this Agreement;

(c) Franchisee refuses to pay when due the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, and/or monetary obligation payable to Franchisor pursuant to this Agreement or, Franchisee fails on more than three (3) occasions during the Term to timely pay when due the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, and/or monetary obligation payable to Franchisor pursuant to this Agreement;

(d) Franchisee materially misrepresents or omits information in Franchisee's Disclosure Questionnaire and Representations Agreement attached hereto as Exhibit 3, Franchisee

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maintains records, reports, books, accounts, statements, data, documentation or other information in accordance with this Agreement that are with misleading, fraudulent or inaccurate, or Franchisee provides Franchisor with records, reports, books, accounts, statements, data, documentation or other information in accordance with this Agreement that are with misleading, fraudulent or inaccurate;

(e) Franchisee attempts to Transfer, or any purported Transfer of, this Agreement or any of Franchisee's rights under this Agreement to a third party without Franchisor's prior written consent and/or otherwise not in accordance with this Agreement;

(f) Franchisee discloses, divulges, and/or communicates to any unauthorized person or entity the Operations Manual and/or any contents of, or any information contained in, the Operations Manual;

(g) Franchisee discloses, divulges, and/or communicates to any unauthorized person or entity any Confidential Information;

(h) Franchisee fails or refuses on more than three (3) occasions to substantially comply with any of the requirements imposed by this Agreement or the Operations Manuals;

(i) Franchisee materially breaches, or is in material default of, this Agreement or engaging in any other activity that injures, harms, damages, or otherwise has a material adverse effect on Franchisor, the System, the Licensed Marks, Angels Spas, Franchisee's Spa, and the goodwill, brand, and reputation associated therewith;

(j) Franchisee, an Owner, and/or a Spouse (as applicable) breaches, or is in default of, any of the Ancillary Agreements, including, without limitation, the Franchise Owner and Spouse Agreement and Guaranty attached hereto as Exhibit 1 and the Joinder Agreement attached hereto as Exhibit 2;

(k) Conviction of Franchisee and/or an Owner of a felony or Franchisee or an Owner pleading guilty or nolo contendere to a felony;

(l) Franchisee and/or an Owner engages in dishonest or unethical conduct that results, in Franchisor's Reasonable Business Judgment, in embarrassment to Franchisor, the System, the Licensed Marks, Angels Spas, Franchisee's Spa, and the goodwill, brand, and reputation associated therewith;

(m) If any inspection of Franchisee's records, reports, books, accounts, statements, data, documentation or other information discloses an understatement of payments payable to Franchisor under this Agreement of five percent (5%) or more, including, without limitation, payment of the Royalty Fee and/or the Advertising Contribution;

(n) Franchisee uses products, supplies, suppliers, and/or equipment not approved by Franchisor, including, without limitation, the System Supplies and/or the System Products and Services;

(o) Franchisee fails to complete, to Franchisor's reasonable satisfaction, the Training Program and/or supplemental training programs designated by Franchisor;

(p) Franchisee engages in conduct which, in Franchisor's Reasonable Business Judgment, may adversely affect the goodwill of Franchisor, the System, the Licensed Marks, Angels Spas

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and/or Franchisee's Spa;

(q) An immediate threat or danger to public health or safety resulting from the operation of Franchisee's Spa;

(r) Franchisee loses the right or ability to occupy Franchisee's Spa Facility due to Franchisee's default of the underlying breach, material breach of the underlying lease, or Franchisee's failure to elect any option to renew the underlying lease;

(s) Franchisee and/or an Owner fails to comply with Anti-Terrorism Laws or become listed on the Annex to Executive Order 13244;

(t) Franchisee fails to: (1) immediately notify Franchisor of any known breach of the Confidentiality Agreement by any person or entity; (2) immediately notify Franchisor of facts and information that would cause a reasonable person to believe that a person or entity violated the Confidentiality Agreement and/or is in the process of violating the Confidentiality Agreement; and/or (3) take reasonable steps (including notice to Franchisor and Franchisee's consultation with Franchisee's legal counsel) to prevent any person or entity from violating the terms of the Confidentiality Agreement;

(u) Franchisee misappropriates, misuses, or makes any unauthorized use of the Licensed Marks, the Confidential Information, and/or the System, Franchisee materially impairs the goodwill associated with the Licensed Marks, and/or Franchisee applies for registration of the Licensed Marks anywhere in the world;

(v) Franchisee fails, refuses, and/or is unable to pay the Royalty Fee, Advertising Contribution, and/or any other payment, fee, financial obligation, and/or monetary obligation payable to Franchisor pursuant to this Agreement within ten (10) calendar days following written notice of same from Franchisor;

(w) Franchisee and/or Franchisee's affiliate fails, refuses, and/or is unable to pay any payment, fee, financial obligation, and/or monetary obligation payable to Franchisor and/or Franchisor's Affiliates pursuant to this Agreement and/or any other agreement between or among Franchisor, Franchisor's Affiliate, Franchisee and/or Franchisee's affiliate within ten (10) calendar days following written notice of same from Franchisor and/or Franchisor's Affiliate; and/or

(x) Franchisee refuses, without legal justification, to timely pay any supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items for the use of, operation of, and/or associated with, Franchisee's Spa including, without limitation, the System Supplies and/or the System Products and Services or, Franchisee fails, without legal justification, on more than three (3) occasions to timely pay any supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items for the use of, operation of, and/or associated with, Franchisee's Spa, including, without limitation, the System Supplies and/or the System Products and Services.

(3) **Termination After Cure Period** – Franchisee shall be in default of this Agreement, and Franchisee's rights under this Agreement shall be terminated, upon thirty (30) calendar days written notice (specifying the default of this Agreement and/or the actions, inactions, failures, circumstances, and/or events that must be cured by Franchisee) to Franchisee (the "Notice Period") upon the occurrence of any one or more of the following actions, inactions, events, and/or circumstances with such termination effective upon expiration of the Notice Period, unless cured

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by Franchisee within the Notice Period:

(a) Franchisee fails or refuses to comply with any term and condition of this Agreement or any other agreement between or among Franchisor, Franchisor's Affiliates, Franchisee and/or Franchisee's affiliates;

(b) Franchisee fails to develop, open, operate and maintain Franchisee's Spa in accordance with this Agreement and throughout the Term;

(c) Franchisee fails to develop, open and operate Franchisee's Spa on or before the Scheduled Business Commencement Date;

(d) Franchisee operates Franchisee's Spa in any manner that violates any federal, state, or local law, rule, regulation, ordinance, permit or code;

(e) Franchisee fails to maintain, or suffers cancellation of, any insurance policy required under this Agreement;

(f) Franchisee fails or refuses to comply with any specification, standard or operating procedure designated by Franchisor or otherwise set forth in the Operations Manual;

(g) Franchisee fails or refuses, without legal justification, to pay any supplier or vendor for any goods, products, supplies, equipment, materials and/or any other items for the use of, operation of, and/or associated with, Franchisee's Spa, including, without limitation, the System Supplies and/or the System Products and Services;

(h) Franchisee fails or refuses, within one hundred twenty (120) calendar days of the Effective Date to obtain and secure a signed lease agreement or fee simple ownership interest in a spa in accordance with this Agreement and, that is approved by Franchisor as Franchisee's Spa Location; and/or

(i) Franchisee fails to timely satisfy and pay all vendors, suppliers and/or contractors in connection with the development and/or construction of the Spa.

The foregoing events of default set forth in this Article 16.A(3) shall exclude events of default that are otherwise governed by and/or events of default under Article 16.A(1) or Article 16.A(2). In the event of any inconsistency or conflict between the provisions of this Article 16.A(3) with Article 16.A(1), Article 16.A(1) shall take precedence and govern. In the event of any inconsistency or conflict between the provisions of this Article 16.A(3) with Article 16.A(2), Article 16.A(2) shall take precedence and govern.

(4) **Additional Termination Rights** – Franchisee agrees that Franchisee's strict and exact compliance with, and performance of, all the terms and conditions of this Agreement is necessary for the protection of Franchisor, the System, the Licensed Marks, Angels Spas, Franchisee's Spa, and the goodwill, brand, and reputation associated therewith. Franchisee agrees that Franchisee's failure to strictly and exactly to comply and perform in accordance with each of the terms and conditions of this Agreement shall constitute a default under, and a material breach of, this Agreement. Accordingly, in addition to the actions, inactions, events, and/or circumstances specified as a default in Article 16.A(1) through Article 16.A(3) above or elsewhere in this Agreement, Franchisee's failure to perform and comply with each and every term and condition set forth in this Agreement shall constitute a default under this Agreement and a material breach of this Agreement. In the event of a default or material breach not otherwise specified as a default in Article 16.A(1) through Article 16.A(3) above or elsewhere in this Agreement (a "General Default"), then

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Franchisor shall notify Franchisee in writing of such General Default, and Franchisor will specify in such notice the default or material breach of this Agreement and/or the actions, inactions, failures, circumstances, and/or events that must be cured by Franchisee. If Franchisee fails to remedy or cure such default within thirty (30) days of such notice, or such longer period time as may be required by law, then Franchisor may terminate Franchisee's rights under this Agreement without further notice to Franchisee.

16.B. TERMINATION BY FRANCHISEE

If Franchisee, each Owners and Spouse (as applicable) are in full compliance with each and every term and provision of this Agreement, any amendment or successor agreement, and any of the Ancillary Agreements, and Franchisor materially breaches Franchisor's substantive and material obligations set forth in this Agreement, Franchisee may terminate this Agreement in the event of the following:

(1) Franchisor does not correct the material breach within thirty (30) days after Franchisor's receipt of Franchisee's written notice of such material breach to Franchisor; or

(2) In a case where Franchisor's material breach cannot reasonably be cured within thirty (30) days, within thirty (30) days of Franchisor's receipt of Franchisee's written notice of Franchisor's material breach, Franchisor shall be provided a reasonable time period to cure such material breach provided that Franchisor provides reasonable evidence to Franchisee of Franchisor's current, continuing and/or planned efforts to correct the material breach within a reasonable time.

In either case, Franchisee's termination of this Agreement shall not take effect until expiration of the thirty (30) day period set forth above and or such reasonable time period as necessary to cure the material breach, and Franchisee delivers to Franchisor a separate written notice of termination. The termination date must be at least ten (10) days after Franchisor's receipt of Franchisee's notice of termination. Franchisee's termination of this Agreement for any reason other than as set forth in this and in compliance with this Article 16.B shall not constitute the termination of this Agreement and shall constitute a material breach of this Agreement by Franchisee.

To induce Franchisor to enter into this Agreement Franchisee, each Owner and each Spouse agree that if Franchisee terminates this Agreement pursuant to this Article 16.B. that Franchisee, each Owner and each Spouse shall nevertheless comply with and be bound by all restrictions and the post-term obligations set forth in Articles 6 and 17 of this Agreement.

16.C. FRANCHISOR'S OTHER REMEDIES

In the event of Franchisee's breach of any provision of this Agreement or Franchisee's default under this Agreement, Franchisor, at Franchisor's sole discretion, shall be entitled to the following remedies and rights in addition to any other rights and remedies available to Franchisor set forth in this Agreement, at law, or in equity: (i) void and terminate this Agreement, and market, sell, transfer, convey and assign the rights granted to Franchisee under this Agreement to any other person or entity in Franchisor's sole discretion; (ii) hold Franchisee liable for, and recover from Franchisee, all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses, and charges resulting from Franchisee's default or material breach; (iii) exercise all legal and equitable rights and remedies allowable by applicable law; (iv) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses, and charges to reclaim the rights granted to Franchisee under this Agreement, and marketing, selling, transferring, conveying or assigning those rights to another person or entity; (v) enjoin, prohibit or otherwise prevent Franchisee from operating Franchisee's Spa or exercising any rights granted to Franchisee under

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this Agreement pursuant to a court ordered restraining order, injunction or other means; (vi) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges resulting from, or associated with, enjoining, restraining, prohibiting, or otherwise preventing Franchisee from operating Franchisee's Spa or exercising any rights granted to Franchisee under this Agreement pursuant to a court ordered restraining order, injunction or other means; (vii) a declaratory judgment that this Agreement and all rights granted to Franchisee under this Agreement are terminated, null and void; (viii) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges associated with enforcing this Agreement; (ix) recover from Franchisee all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee pursuant to this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, payments of the Royalty Fee and Advertising Contributions; (x) recover from Franchisee all costs (including court costs, deposition costs, and all other costs of litigation), damages (subject to the limitations set forth in Article 18.J below), losses (including loss of royalties and loss of business), interest, fees (including, without limitation, reasonable attorney fees, accountant fees, expert witness fees, and consultant fees), expenses and charges resulting from, or associated with, recovering from Franchisee all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee this Agreement, the Ancillary Agreements, and/or any other agreements between Franchisee and Franchisor, including, without limitation, payments of the Royalty Fee and Advertising Contributions; (xi) temporarily or permanently suspend any existing credit arrangements or accommodations previously extended to Franchisee and/or refrain from offering or making available to Franchisee any credit arrangements or accommodations that may be offered or made available to other System franchisees; (xii) modify payment terms for approved products, supplies, or other merchandise purchased by Franchisee (which may include, without limitation, requiring cash on delivery); (xiii) disqualify Franchisee from being eligible for, or from participating in, special promotion programs, rebates, and/or rebate sharing that may be offered or made available to other System franchisees; (xiv) refrain from providing or making available to Franchisee promotional materials or other materials developed by the Brand Development Fund and/or if applicable, Advertising Cooperative; (xv) require payment of the Noncompliance Fee and/or the Product or Supplier Noncompliance Fee, which shall be payable and due within fourteen (14) days of the date of Franchisor's invoice; and/or (xvi) if a default or breach by Franchisee results in the earlier termination of this Agreement, then Franchisor, at Franchisor's sole election, may accelerate the due date for all payments, fees, monetary obligations, financial obligations, interest, and charges due and owing to Franchisor from Franchisee, including, without limitation, payments of the Royalty Fee and Advertising Contributions. If Franchisor does not pursue termination of this Agreement in the event of a default or breach by Franchise, and/or Franchisor accepts any royalties, payments, contributions, funds, or other monetary sums from Franchisee, such actions do not constitute a waiver or acceptance of Franchisee's default or breach, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor's such rights and remedies are cumulative, and no exercise or enforcement by Franchisor of any such right or remedy precludes the exercise or enforcement by Franchisor of any other right or remedy which Franchisor is entitled by law to enforce.

16.D. GUARANTY

The payment of all payments, amounts, fees, charges and other financial obligations payable by Franchisee to Franchisor pursuant to this Agreement, and Franchisee's observance and performance of all terms and conditions of this Agreement, are guaranteed pursuant to The Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1.

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16.E. NOTICE OF LEGAL PROCEEDINGS AGAINST FRANCHISOR

Franchisee shall give Franchisor advance written notice of Franchisee's intent to commence or otherwise institute any legal action or proceeding against Franchisor, specifying the basis for such proposed action, and Franchisee shall grant Franchisor thirty (30) days from receipt of said notice to cure the alleged act upon which such legal action is to be based (hereinafter, the "30 Day Cure Notice"). Franchisee understands and agrees that the 30 Day Cure Notice is a strict condition precedent to Franchisee commencing, or otherwise instituting, legal action or proceeding against Franchisor for any reason whatsoever.

ARTICLE 17
OBLIGATIONS UPON TERMINATION, EXPIRATION AND CONTINUING OBLIGATIONS

17.A. PAYMENT OF AMOUNTS OWED TO FRANCHISOR

Without limitation as to any other Article or provision of this Agreement, upon expiration or termination of this Agreement for any reason, Franchisee shall immediately pay to Franchisor all sums and fees due from Franchisee to Franchisor under the terms of this Agreement including, but not limited to Royalty Fees and Advertising Contributions and all other sums and fees due from Franchisee to Franchisor and/or Franchisor affiliates and/or suppliers for products and services including, but not limited to, System Supplies.

17.B. CEASE OPERATIONS, USE OF SYSTEM AND PROTECTION OF THE SYSTEM

Upon expiration, termination, or Transfer of this Agreement for any reason, Franchisee shall immediately:

(1) Permanently cease to be a franchise owner of the Spa that was the subject of this Agreement and cease to operate such Spa under the System;

(2) Directly or indirectly, hold itself out to any person or entity, or represent itself, as a present or former Angels Spa franchisee;

(3) Permanently cease to use, in any manner: (a) the System including, without limitation, the Confidential Information, the Licensed Marks, the Business Management System Data, and the Operations Manual; (b) any methods, procedures, or techniques associated with the System in which Franchisor possesses proprietary rights or constitute Franchisor's trade secrets; (c) System Supplies, including communicating with or ordering products from Franchisor's designated suppliers and vendors of System Supplies; (d) the System Products and Services; and (e) any other advertising, marketing, media, and any other information, documents or things associated with Franchisor, the System, the Licensed Marks, Angels Spas, the Franchised Business, and Franchisee's former Angels Spa, including, without limitation, any confidential, proprietary methods, procedures, descriptions of products, techniques, trade secrets, proprietary marks, distinctive forms, slogans, symbols, signs, stationary, advertising material, articles, logos, devices, items and all other things, tangible or intangible, associated with Franchisor, the System, the Licensed Marks, and Angels Spas;

(4) Return to Franchisor the Operations Manual (including any and all parts, supplements, and copies of the Operations Manual), the Confidential Information (including without limitation the Business Management System Data and all customer lists and information), and all other confidential materials, equipment, software, information, and property owned by Franchisor and all copies thereof provided, however, that Franchisee may retain Franchisee's copies of this Agreement, correspondence between Franchisor and Franchisee, but not including Confidential Information that may be contained in or attached thereto, and other documents that Franchisee needs to retain pursuant to applicable law;

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(5) Permanently cease accessing, immediately disconnect from, and discontinue using any and all digital media, intra-nets, cloud based systems, and/or servers that store, maintain, and/or provide access to the Operations Manual, Confidential Information, and all other standards, specifications of Franchisor;

(6) Immediately notify Franchisor, in writing, of any and all locations where Franchisee may have maintained and/or stored digital files and/or media containing all or parts of the Operations Manual, any Confidential Information, and all other standards and specifications of Franchisor, immediately turn over such digital files and media to Franchisor, and follow Franchisor's instructions as to the destruction of such digital files and media;

(7) Except in the event an authorized transferee continues to operate Franchisee's former Spa at Franchisee's Spa Location subsequent to a Transfer, at Franchisee's sole cost and expense: (a) modify and alter Franchisee's former Spa, Franchisee's former Spa Facility, and Franchisee's Spa Location, as reasonably necessary or otherwise required by Franchisor, to ensure that Franchisee's Spa Facility and Franchisee's Spa Location have been completely de-identified and differentiated from its former appearance to prevent any confusion by the public as to the continued existence of a Spa at the Spa Location; (b) remove from Franchisee's Spa Facility and Franchisee's Spa Location all distinctive physical and structural features identifying a Spa and all distinctive signs, trade dress and emblems associated with the System including, without limitation, signs, trade dress, and emblems bearing the Licensed Marks; (c) make specific additional changes to Franchisee's Spa Facility and Franchisee's Spa Location as Franchisor reasonably requests for the purpose of completely de-identifying Franchisee's former Spa. Franchisee shall immediately initiate the foregoing actions and complete such actions within the period of time designated by Franchisor, and Franchisee agrees that Franchisor and/or Franchisor's designated agents may enter the premises of Franchisee's Spa Facility and Franchisee's Spa Location at any time to make foregoing alterations at Franchisee's sole risk and expense. Franchisee further agrees that Franchisee's failure to timely make modifications and alterations to Franchisee's Spa Facility and Franchisee's Spa Location will cause irreparable injury to Franchisor, and Franchisee consents to the entry, at Franchisee's expense, of any ex-parte order by any court of competent jurisdiction authorizing Franchisor or its agents to take action, if Franchisor seeks such an order;

(8) Take all actions necessary and/or reasonably required to cancel all fictitious or assumed names or equivalent registrations relating to the Licensed Marks;

(9) At no cost to Franchisor, take such action as may be determined by Franchisor to: (i) provide and assign to Franchisor the Business Management System, the Business Management System Data, and all customer lists, customer information, and customer data; (b) transfer, disconnect, and/or otherwise assign, as directed by Franchisor, all telephone numbers, email addresses, yellow pages telephone directories, telephone directory type listings, Web Based Media listings, accounts and log-in information used in connection with Franchisee's former Spa and/or otherwise associated with the System and/or the Licensed Marks, cancel Franchisee's interests in same as such cancellation may be directed by Franchisor, and effectuate, perform, honor, and comply with Franchisee's obligations under the Assignment of Telephone Numbers and Digital Media Accounts attached to this Agreement as Exhibit 9;

(10) Abide by, and comply with, the restrictive covenants and obligations set forth in this Agreement, including, without limitation, the restrictive covenants and obligations set forth in Article 6.B through Article 6.E of this Agreement.

(11) Provide Franchisor, within thirty (30) days of the expiration, termination, or Transfer of this

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Agreement, with written proof demonstrating that Franchisee has complied with the terms of this Article 17 and all other obligations under this Agreement that Franchisee must perform, abide by, and comply with, subsequent to the termination, expiration, or Transfer of this Agreement.

17.C. CONTINUING OBLIGATIONS

All obligations of Franchisor and Franchisee under this Agreement which expressly, or by their nature, survive, or are intended to survive, the expiration, termination, or Transfer of this Agreement shall continue in full force and effect subsequent to, and notwithstanding, this Agreement's termination, expiration, or Transfer until such obligations are satisfied in full or, by the nature and/or terms, such obligation(s) expire.

Franchisee further agrees that in the event of a Transfer of this Agreement by Franchisee, whether or not such Transfer is authorized by Franchisor or made in violation of this Agreement, under no circumstance shall Franchisee be relieved of Franchisee's Obligations under this Agreement and under no circumstance shall each Owners and Spouse be relieved of their respective guarantees, agreements, and obligations related to, or associated with, this Agreement, including, without limitation, the guarantees, agreements, and obligations set forth in the Franchise Owner and Spouse Agreement and Guaranty attached to this Agreement as Exhibit 1 and the Joinder Agreement attached to this Agreement as Exhibit 2. The immediately foregoing shall not be interpreted or otherwise construed as constituting consent to any Transfer of this Agreement without the express written consent by Franchisor and Franchisee's compliance with this Agreement respecting any such Transfer.

ARTICLE 18
ENFORCEMENT AND CONSTRUCTION

18.A. SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, Franchisor and Franchisee acknowledge and agree that each term and condition of this Agreement shall be interpreted or otherwise construed to be independent of each other and severable. Although each term and condition of this Agreement are considered by the parties to be reasonable and intended to be enforceable, if any such term and condition of this Agreement is found by a court of competent jurisdiction, agency, or other governmental agency to be unenforceable as written or otherwise, then such term and condition shall be modified, rewritten, interpreted, or "blue-lined" to include as much of its nature and scope as will render it enforceable. If such term and condition cannot be so modified, rewritten, interpreted, or "blue-lined" in any respect, then it will not be given effect and severed from this Agreement, and the remainder of this Agreement shall be interpreted, construed and enforced as if such term and condition was not included in this Agreement.

(2) If any applicable and binding law or rule requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule, any term and condition of this Agreement, or any specification, standard, or operating procedure Franchisor prescribes is invalid or unenforceable, then the greater prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable term and condition, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such substituted and/or modified term and condition of this Agreement imposing the maximum duty permitted by law that is prescribed within the terms of any provision of this Agreement as though it were originally and separately articulated in, and made a part of, this Agreement as of the Effective Date and/or any specification, standard or operating procedure Franchisor prescribes, which may result from striking from any terms and conditions, specifications, standards, or operating procedures, and any portion or portions thereof, a court may hold to be unenforceable or from reducing the scope of any promise or covenant to the extent

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required to comply with a court order. Modifications to this Agreement shall be effective only in those jurisdictions in which such terms and conditions, specifications, standards, or operating procedures are found to be unenforceable, unless Franchisor elects to give them greater applicability, in which case, this Agreement shall be enforced as originally made in all other jurisdictions.

18.B. WAIVER OF OBLIGATIONS

No delay, waiver, omission, or forbearance on the part of Franchisor to enforce any term and condition of this Agreement or exercise any of Franchisor's rights, options, or powers under this Agreement constitutes a waiver by Franchisor to enforce any other term and condition of this Agreement or exercise any of Franchisor's other rights, options, or powers under this Agreement. No such delay, waiver, omission, or forbearance shall constitute a waiver by Franchisor to subsequently enforce such term and condition of this Agreement or subsequently exercise such right, option, or power. Acceptance by Franchisor of any payments, fees, charges, or other amount from Franchisee payable to Franchisor pursuant to this Agreement shall not constitute a waiver or acceptance of Franchisee's default or breach of this Agreement or otherwise a waiver of any term and condition of this Agreement, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor shall likewise not be deemed to have waived or impaired any term and condition, right, option or power set forth in this Agreement by virtue of any custom or practice of the parties at variance with the terms and conditions of this Agreement or Franchisor's insistence upon Franchisee's strict compliance with Franchisee's obligations, including any mandatory specification, standard or operating procedure. No waiver by Franchisor of any term and condition of this Agreement shall be valid unless in writing and signed by Franchisor.

18.C. FORCE MAJEURE

If either Franchisor or Franchisee is delayed in performing any obligation under this Agreement by any cause reasonably beyond its control when such cause would affect any person or entity similarly situated, including, without limitation, war, civil disorder, catastrophic weather, power outage, acts of God and/or labor strikes unassociated with Franchisee or Franchisor (collectively, "Force Majeure"), then the time period for performing such obligation shall be extended by a period of time equal to the period of delay. Notwithstanding the immediately foregoing sentence, any delay resulting from Force Majeure shall not excuse Franchisee's payment of any fee, charge, amount, and/or any other monetary or financial obligation to Franchisor under this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, and the non-performance of any obligation under this Agreement due to Force Majeure shall not be extended or otherwise excused for more than six (6) months.

18.D. SPECIFIC PERFORMANCE AND INJUNCTIVE RELIEF

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief under legal and/or equity rules against threatened conduct that will cause damages or loss to it, the Licensed Marks or the System. Without limitation to the rights set forth in Article 6 of this Agreement, Franchisee agrees that Franchisor may obtain such injunctive relief. Franchisee agrees that Franchisor will not be required to post a bond (other than as set forth in Article 6.H of this Agreement) to obtain injunctive relief and that Franchisee's only remedy if an injunction is entered against Franchisee will be the dissolution of that injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). The remedies available to Franchisor under Article 6.H. are not exclusive of one another and may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Without limitation to the foregoing Franchisee agrees that in the event of a breach of this Agreement by Franchisee respecting and/or concerning the System and/or the Licensed Marks shall cause irreparable harm to Franchisor, the System and the Licensed Marks. The foregoing shall not be interpreted to invalidate the mediation and arbitration requirements set forth in Article 18.G. of this Agreement and shall be consistent with same.

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18.E. RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Franchisee under this Agreement are cumulative and no exercise or enforcement by a party of any right or remedy precludes the exercise or enforcement by that party of any other right or remedy which Franchisor or Franchisee is entitled by law to enforce.

18.F. GOVERNING LAW

EXCEPT TO THE EXTENT GOVERNED BY THE UNITED STATES TRADEMARK ACT OF 1946 (LANHAM ACT, 15 U.S.C. §§ 1051 *ET SEQ.*) OR OTHER FEDERAL LAW, THIS AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICTS OF LAWS RULES SHALL NOT APPLY AND ANY FRANCHISE REGISTRATION, DISCLOSURE, RELATIONSHIP OR SIMILAR STATUTE WHICH MAY BE ADOPTED BY THE STATE OF CALIFORNIA SHALL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

18.G. CHOICE OF LAW, NON-BINDING MEDIATION, BINDING ARBITRATION, AND CONSENT TO JURISDICTION

(1) **Non-Binding Mediation** – Franchisee and Franchisor agree that before either party may bring any action, dispute and/or controversy arising from or related to this Agreement and/or the franchise relationship between Franchisor and Franchisee in arbitration, the parties must first mediate the dispute through non-binding mediation. Mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with the AAA's then current rules for the mediation of commercial disputes. All mediation proceedings shall be conducted in Orange County, California or, if a mediator is not available in Orange County, California then at a suitable location selected by the mediator that is located closest to Orange County, California. Mediation shall be conducted by one mediator and if Franchisor and Franchise cannot agree on a mediator then the mediator shall be selected by the American Arbitration Association. Mediation shall be conducted within forty-five (45) days of the American Arbitration Association's designation and/or acknowledgment of the selected mediator or such longer period as may be agreed to between Franchisor and Franchisee in writing and signed by each respective party. Franchisor and Franchisee shall each be responsible for their own costs associated with mediation and Franchisor and Franchisee shall each be responsible for and shall each pay fifty (50%) percent of the mediator's fee and the American Arbitration Association's mediation fees.

Notwithstanding the preceding paragraph, Franchisor and Franchisee agree this Sub-Article 18.G.(1) and, thereby, the prerequisite requirement of non-binding mediation, shall not, at Franchisor's election, apply to: (a) any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement; and/or (b) claims by either Franchisor or Franchisee under this Agreement that relates to either Franchisor's or Franchisee's failure to pay fees or other monetary obligations due under this Agreement.

(2) **Arbitration** – Subject to the prerequisite requirements of non-binding mediation as set forth in Sub-Article 18.G.(1), and, except, at Franchisor's election, as to any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief including, but not limited to, Franchisee's violation or purported violation of Article 6 of this Agreement, Franchisor and

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Franchisee agree that all disputes, controversies, and claims, arising from and/or related to this Agreement, the relationship between Franchisor and Franchisee, the System, and/or the validity of this Agreement and/or the Ancillary Agreements, shall be submitted, on demand of either Franchisor or Franchisee, to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one (1) arbitrator in accordance with the American Arbitration Association's then current rules for commercial disputes, except as may be otherwise required in this Article 18.G. All arbitration proceedings shall be conducted in Orange County, California or, if suitable American Arbitration Association facilities are not available in Orange County, California then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to Orange County, California.

In connection with binding arbitration, Franchisor and Franchisee further agree that:

(a) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;

(b) The arbitration hearing shall be conducted within one hundred and eighty (180) days of the demand for arbitration;

(c) The arbitrator shall render written findings of fact and conclusions of law;

(d) Except as may be otherwise required and/or prohibited by this Agreement including, but not limited to Articles 18.I., 18.J., 18.N, 18.O., 18.R, 18.T., and 18.X. of this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid;

(e) They shall each be bound to the limitations periods set forth in Article 18.I. of this Agreement and that, in any arbitration proceeding, Franchisor and Franchisee must each timely submit, within the same arbitration proceeding, any claim that would constitute a compulsory counterclaim as such claims are defined and set forth under Rule 13 of the United States Federal Rules of Civil Procedure. Any claim that is not submitted or filed as required shall be forever barred;

(f) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction;

(g) Arbitration and/or any arbitration award must be conducted in accordance with the terms of this Agreement including, but not limited to, the requirements set forth in this Article 18.

(3) **Consent to Jurisdiction and Venue** – Subject to the non-binding mediation and arbitration provisions set forth in this Article 18.G, Franchisor and Franchisee agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within California and within Orange County or the county closest to Orange County. Franchisor and Franchisee do hereby irrevocably consent to and waive any objection to the such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, Franchisor and Franchisee agree that Franchisor, at Franchisor's election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking

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Franchisor's enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where either the Franchised Business was located or where Franchisee resides.

18.H. VARIANCES

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS AND MAY AT DIFFERENT TIMES, IN FRANCHISOR'S ABSOLUTE AND SOLE DISCRETION, APPROVE EXCEPTIONS OR CHANGES FROM THE UNIFORM STANDARDS OF THE SYSTEM, WHICH FRANCHISOR DEEMS DESIRABLE OR NECESSARY UNDER PARTICULAR CIRCUMSTANCES. FRANCHISEE UNDERSTANDS THAT IT HAS NO RIGHT TO OBJECT TO OR AUTOMATICALLY OBTAIN SUCH VARIANCES, AND ANY EXCEPTION OR CHANGE MUST BE APPROVED IN ADVANCE BY FRANCHISOR IN WRITING. FRANCHISEE UNDERSTANDS THAT EXISTING FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND THAT THE RIGHTS AND OBLIGATIONS OF EXISTING FRANCHISEES MAY DIFFER MATERIALLY FROM THIS AGREEMENT.

18.I. LIMITATIONS OF CLAIMS

EXCEPT FOR CLAIMS BROUGHT BY FRANCHISOR WITH REGARD TO FRANCHISEE'S OBLIGATIONS TO MAKE PAYMENTS TO FRANCHISOR PURSUANT TO THIS AGREEMENT, FRANCHISOR'S ENFORCEMENT OF THE RESTRICTIVE COVENANTS SET FORTH IN ARTICLE 6 OF THIS AGREEMENT, AND FRANCHISEE'S OBLIGATION TO INDEMNIFY FRANCHISOR IN ACCORDANCE WITH THIS AGREEMENT, ANY AND ALL CLAIMS AND/OR CAUSES OF ACTIONS ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR RESULTING FROM THIS AGREEMENT, SHALL BE BARRED UNLESS SUCH CLAIM AND/OR CAUSE OF ACTION IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED OR ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW, OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIM AND/OR CAUSE OF ACTION, WHICHEVER OCCURS FIRST IN TIME.

18.J. WAIVER OF PUNITIVE DAMAGES

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED THAT SUCH WAIVER SHALL NOT APPLY TO ANY CLAIM (A) ALLOWED BY FRANCHISOR OR FRANCHISEE FOR ATTORNEY'S FEES OR COSTS AND EXPENSES UNDER THIS AGREEMENT; AND/OR (B) FOR LOST PROFITS BY FRANCHISOR OR FRANCHISEE AND THE OWNERS UPON OR ARISING OUT OF THE TERMINATION OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES SHALL CONTINUE IN FULL FORCE AND EFFECT.

18.K. WAIVER OF JURY TRIAL

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

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18.L. BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

18.M. COMPLETE AGREEMENT

This Agreement, the documents referred to in this Agreement and the Schedules and Exhibits to this Agreement, together with the Operations Manual, constitute the entire, full and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between Franchisor and Franchisee. Notwithstanding the foregoing, the disclosure document (as registered with certain states, required by federal law or otherwise and provided to Franchisee or its representative) shall not be deemed to constitute a part of this Agreement nor as a separate, binding agreement concerning the subject matter hereof. Nothing in the Agreement is intended to disclaim the representations we made in the franchise disclosure document that Franchisor and/or Franchisor's agents furnished to Franchisee and/or Franchisee's Owners.

18.N. ATTORNEY FEES AND EXPENSES

Franchisee agrees that in the event that an arbitrator in any arbitration proceeding and/or, a court of competent jurisdiction shall issue an award, judgment, decision and/or order finding, holding and/or declaring Franchisee's breach of this Agreement than Franchisor shall also be entitled to the recovery of all reasonable attorney fees, costs and expenses associated with and/or related to such arbitration and/or litigation. Said fees, costs and expenses shall include, but not be limited to, attorney fees, arbitration fees, arbitrator fees, deposition expenses, expert witness fees and filing fees.

18.O. WAIVER OF CLASS-ACTION: INDIVIDUAL DISPUTE RESOLUTION AND NO MULTI-PARTY ACTIONS

FRANCHISOR AND FRANCHISEE AGREE THAT ALL PROCEEDINGS AND/OR LEGAL ACTIONS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND/OR THE OFFER AND SALE OF THE ANGELS SPA FRANCHISE FROM FRANCHISOR TO FRANCHISEE, WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT A CLASS-WIDE BASIS, AND, THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S OWNERS, SPOUSES AND/OR GUARANTORS AND FRANCHISOR AND/OR FRANCHISOR'S AFFILIATES, OFFICERS, DIRECTORS AND/OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

18.P. ACCEPTANCE BY FRANCHISOR

This Agreement will not be binding on Franchisor unless and until an authorized officer of Franchisor has signed it.

18.Q. OPPORTUNITY FOR REVIEW BY FRANCHISEE'S ADVISORS

Franchisee acknowledges and represents that prior to the signing of this Agreement that Franchisor recommended and that Franchisee had the opportunity to have this Agreement and the Franchise Disclosure Document reviewed by Franchisee's lawyer, accountant and other business advisors.

18.R. NO PERSONAL LIABILITY BY FRANCHISOR'S EMPLOYEES, OFFICERS AND/OR AUTHORIZED AGENTS

Franchisee agrees that the fulfillment of any of Franchisor's obligations written in this Agreement or based on any oral communications ruled to be binding in a court of law shall be Franchisor's sole obligation and none of Franchisor's employees, officers and/or authorized agents shall be personally liable to Franchisee for any reason. In addition to the foregoing, Franchisor and Franchisee are not joint employers. The foregoing shall not be construed to imply that Franchisor and/or Franchisor's agents have made any oral

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promises as pursuant to Article 18.M of this Agreement, this written Agreement represents the sole Agreement between Franchisor and Franchisee.

18.S. NON-UNIFORM AGREEMENTS

Franchisee acknowledges that Franchisor makes no representations or warranties that all other agreements with Angels Spa Franchising, Inc. franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. Franchisee agrees that Franchisor may waive or modify comparable provisions of other franchise agreements to other System franchisees in a non-uniform manner.

18.T NO RIGHT TO OFFSET

Franchisee shall not, on grounds of the alleged nonperformance, material breach, or default by Franchisor of this Agreement, any other agreement between Franchisor and Franchisee, or for any other reason, withhold any payment, fee, or any other amount payable by Franchise to Franchisor pursuant to this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, or any other payment obligation by Franchisee to Franchisor. Franchisee shall not have the right to offset or withhold any liquidated or unliquidated amount allegedly due to Franchisee from Franchisor against any payment, fee, or any other amount payable to Franchisor pursuant to this Agreement or any other payment obligation by Franchisee to Franchisor.

18.U. HEADINGS

The headings and subheadings in this Agreement are strictly for convenience and reference only, and they shall not limit, expand, or otherwise affect the interpretation and construction of the terms and conditions of this Agreement.

18.V. AUTHORITY TO EXECUTE AND BIND

Each party acknowledges, warrants and represents that it has all requisite power and authority to enter into this Agreement. The execution, delivery, and performance of this Agreement has been duly and lawfully authorized by all necessary actions of each party, and the signatory to this Agreement for each party has been duly and lawfully authorized to execute this Agreement for and on behalf of the party for whom each signatory has signed.

18.W. COUNTERPARTS; ELECTRONIC SIGNATURES; MULTIPLE COPIES

This Agreement may be executed in counterparts, all of which counterparts shall be deemed originals and taken together shall constitute a single agreement, and the signature pages of which may be detached from the several counterparts and attached to a single copy of this Agreement to physically form a single document. Executed duplicates of this Agreement, if any, shall be deemed an originals.

18.X. JOINT AND SEVERAL LIABILITY

If Franchisee consists of more than one person or entity, then their liability under this Agreement shall be deemed joint and several.

18.Y. RECITALS

The parties agree that the recitals and representations contained on the first page of this Agreement constitute a part of this Agreement, and are hereby fully incorporated into the terms of this Agreement.

ARTICLE 19
NOTICES

All written notices and reports permitted or required to be delivered by this Agreement or the Operations Manual shall be deemed so delivered, at the time delivered by hand, one (1) business day after being placed in the hands of a national commercial courier service for overnight delivery (properly addressed and with

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tracking confirmation), or three (3) business days after placed in the U.S. mail by registered or certified Mail, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Reports requiring delivery shall be delivered by certified U.S. mail and/or electronically, as designated by Franchisor. The addresses for the parties set forth in the initial paragraph of this Agreement shall be used unless and until a different address has been designated by written notice to the other party. Any notice required under this Agreement shall not be deemed effective or given by Franchisee to Franchisor unless given in strict compliance with this Agreement.

In all cases where Franchisor's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and Franchisor shall respond within ten (10) business days after receiving Franchisee's written request and all supporting documentation, provided if Franchisor does not respond, such request shall be deemed unapproved. Franchisor's consent to, or approval of, any act or request by Franchisee shall be effective only to the extent specifically stated, and Franchisor's consent or approval shall not be deemed to waive, or render unnecessary, consent or approval of any other subsequent similar act or request.

IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement as of the Effective Date set forth in the first paragraph of this Agreement.

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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Angels Spa Franchise Agreement
SCHEDULE 1
SPA LOCATION ACKNOWLEDGMENT

Franchisee's Spa Location – Franchisor and Franchisee agree that "Franchisee's Spa Location", as such term is identified and defined in the Franchise Agreement, including, but not limited to Articles 1 and 2.A of the Franchise Agreement, is identified, as follows:

[For this Schedule to be Effective this Schedule Must be Completed and Signed by Franchisor]

Franchisee selected the proposed Spa Location and, based on negotiations initiated by Franchisee and benefitting Franchisee, Franchisor has approved the proposed Spa Location as Franchisee's Spa Location.

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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Angels Spa Franchise Agreement
SCHEDULE 2
DESIGNATED TERRITORY ACKNOWLEDGMENT

Designated Territory – Franchisor and Franchisee agree that the "Designated Territory", as such term is identified and defined in the Franchise Agreement, including, but not limited to Articles 1 and 2.A of the Franchise Agreement, is identified, as follows:

[For this Schedule to be Effective this Schedule Must be Completed and Signed by Franchisor]

Franchisee acknowledges and represents that the foregoing determination as to Franchisee's Designated Territory was based on negotiations initiated by Franchisee and for Franchisee's benefit.

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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Angels Spa Franchise Agreement
SCHEDULE 3
STATEMENT OF FRANCHISEE'S OWNERS

If Franchisee is a Corporate Entity, Franchisee does hereby affirm and acknowledge that, as of the Effective Date:

1. The Following is a list of each Owner of Franchisee and, among other things, all shareholders, partners, members, and other investors in Franchisee, including all investors who own or hold a direct or indirect financial and/or equity interest in Franchisee:

Name	Address	Ownership Interest Percentage

2. The following Owner is hereby also designated by Franchisee as the "Managing Owner":

Name

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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Angels Spa Franchise Agreement
EXHIBIT 1
FRANCHISE OWNER AND SPOUSE AGREEMENT AND GUARANTY

FRANCHISE OWNER AND SPOUSE AGREEMENT AND GUARANTY

THIS FRANCHISE OWNER AND SPOUSE AGREEMENT AND INDIVIDUAL GUARANTY (the "Agreement") is entered into by: (a) each of the undersigned owners of Franchisee (defined below); and (b) the spouse of each such owner, in favor of Special Spa Franchising, Inc., a California Corporation, and its successors and assigns ("us", "our" or "we"), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as "you".

Recitals and Representations

WHEREAS, Franchisee is [_____] ("Franchisee");

WHEREAS, you acknowledge and agree that we have developed a distinctive and proprietary system (the "System") for the establishment, development and operation of a spa that offers and sells professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other approved products and services (the "System Products and Services") under the Licensed Marks (defined below) (each, a "Angels Spa");

WHEREAS, Franchisee has entered into an Angels Spa Franchise Agreement (the "Franchise Agreement") for the ownership, development and operation of an Angels Spa (the "Franchised Business");

WHEREAS, you have received and have thoroughly reviewed the completed Franchise Agreement, including the completed Schedules and Exhibits attached thereto;

WHEREAS, we have recommended that you thoroughly review the Franchise Agreement, this Agreement and all exhibits and schedules to the Franchise Agreement with a lawyer selected and hired by you;

WHEREAS, you represent to us that you are either: (a) an Owner of Franchisee such that you own or control a legal, equitable or beneficial ownership or equity interest in Franchisee and/or otherwise meet the definition of an "Owner" as set forth in this Agreement; and/or (b) the "Spouse" of an Owner of Franchisee;

WHEREAS, you acknowledge that this Agreement will apply to you individually, jointly and severally with all others who sign this Agreement (including if this Agreement is signed in counterparts or electronically among other Owners and Spouses);

WHEREAS, you acknowledge that this Agreement, among other things, personally obligates you to guarantee Franchisee's obligations to us and obligates you to brand protection, confidentiality and non-competition restrictions and covenants and that you enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee;

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WHEREAS, you acknowledge that we are relying on this Agreement and that without this Agreement we would not have entered into and/or would not be simultaneously entering into the Franchise Agreement with Franchisee;

NOW THEREFORE, to induce us to enter into the Franchise Agreement and as consideration to us for entering into the Franchisee Agreement with Franchisee and other consideration, the receipt and sufficiency of which you acknowledge, you agree as follows:

1. Recitals and Representations

You agree that the foregoing Recitals and Representations are true and accurate and constitute a material part of this Agreement and are hereby incorporated into the main body of this Agreement.

2. Definitions

Supplementing the terms and definitions contained in the Recitals and Representations:

"**Angels Spa(s)**" shall have the meaning defined in the Recitals and Representations section of this Agreement and, without limitation to the Recitals and Representations section of this Agreement, the definition of "Angels Spas", shall further include, refer to and mean: every business and all businesses owned and/or operated by us, our affiliates and/or our authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

"**Business Management System**" refers to and means the software, internet, web based and/or cloud based system or systems, point of sale system or systems and customer relationship management system or systems as same may be individually or collectively designated by us, in our Reasonable Business Judgment, as being required for use by the Franchised Business, including, but not limited to, the day-to-day sales, ordering, operations and management of the Franchised Business. We reserve the right to modify and designate alternative Business Management Systems as we determine in our Reasonable Business Judgment. Without limitation to the foregoing, the Business Management System may include: (a) multiple point of sale systems installed and maintained on-site at the Spa Location; (b) web based, private server based, network based and/or cloud based customer ordering systems, processing systems, production systems and/or service delivery systems; and (c) customer membership and rewards systems. The Business Management System or systems may, in whole or in part, include and utilize internet, intra-net and cloud based and accessed applications, software, databases and/or systems that require Franchisee to access such systems and information through the internet or a private network and that stores the data and information relating to the Franchised Business on off-site servers through accounts and/or servers controlled by us. You agree that, at all times, we will be granted and/or shall possess direct live access and storage based access to the Business Management System for the Franchised Business and to Franchisee's Business Management System Data.

"**Business Management System Data**" refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered (whether by us or Franchisee) into the Business Management System utilized by Franchisee; (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of the Franchised Business.

"**Competitive Business**" refers to and means any business that is the same as or similar to an Angels Spa including, but not limited to, any facial, nail, therapeutic massage, body and skincare services and treatments business and/or other businesses that offers, sells, and/or provides products and/or services

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similar to the System Products and Services that are authorized and designated by us as of the Effective Date of the Franchise Agreement and, as we may designate from time to time in the future.

"**Confidential Information**" refers to and means all of our and/or our affiliates trade secrets, methods, standards, techniques, procedures, data and information, as same may exist as of the Effective Date and as same may be developed, modified and supplemented in the future, constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of Angels Spas; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by Angels Spas; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of Angels Spas; (d) customer lists and information related to Angels Spas and the Franchised Business; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

"**Copyrights**" refers to and means all works and materials for which we or any affiliate of ours has secured common law or registered copyright protection and we utilize and/or allow Angels Spa franchisees to use, sell or display in connection with the development, marketing and/or operation of an Angels Spa, whether as of the Effective Date or any time in the future.

"**Corporate Entity**" refers to and means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

"**Digital Media**" refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, and YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to Angels Spas, the Franchised Business, the Licensed Marks, the System and/or us. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System Website) associated with and/or related to the Franchised Business and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

"**Effective Date**" refers to the "Effective Date" of the Franchise Agreement as the term "Effective Date" is set forth and defined in the Franchise Agreement. If, for any reason, the Effective Date cannot be determined by reference to the Franchise Agreement, the Effective Date shall be the date that you sign this Agreement.

"**Franchised Business**" refers to and means the Angels Spa to be developed, owned and operated by Franchisee pursuant to the terms of the Franchise Agreement.

"**Franchisee's Designated Territory**" refers to and means the "Designated Territory" as such term is set forth and defined in the Franchise Agreement.

"**Franchisee's Spa Facility**" refers to and means the Spa Facility from which Franchisee establishes, operates and manages the Franchised Business.

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"**Franchisee's Spa Location**" refers to and means the location of Franchisee's Spa Facility, from which Franchisee's operates the Franchised Business.

"**Immediate Family**" refers to and means the spouse of a person and any other member of the household of such person, including, without limitation, children of such person.

"**Intellectual Property**" refers to and means, individually and collectively, our Licensed Marks, Copyrights, Know-How, and System.

"**Know-How**" refers to means our trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of an Angels Spa including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, included in, comprising and/or constituting a part of the System. Without limitation to the foregoing, Know-How shall further include information contained in the Operations Manual and the Confidential Information.

"**Licensed Marks**" refers to and means the trademarks, service marks, emblems and indicia of origin, including the "Angels Spa" trademark, the Angels Spa logo, Trade Dress, and other trade names, service marks, trademarks, logos, slogans and designs authorized by us in connection with the identification of Angels Spas and the System Products and Services, provided that such trade names, trademarks, service marks, logos and designs are subject to modification, replacement and discontinuance by us in our Reasonable Business Judgment.

"**Operations Manual**" refers to and means, individually and collectively, the manual(s) designated by us and relating to the development and/or operations of Angels Spas including, but not limited to, the policies, procedures and requirements for the development and operation of Angels Spas. The Operations Manual may consist of one of more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by us from time to time in our Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to our modification from time to time and based on our Reasonable Business Judgment, the Operations Manual shall, among other things, designate the System Products and Services that must be offered and sold by the Franchised Business and the System Supplies that must be exclusively used by the Franchised Business. Only System Products and Services may be offered and sold by the Franchised Business. Only System Supplies may be utilized by Franchisee in the operations of the Franchised Business.

"**Owner**" refers to and means collectively, individually, jointly and, as of the Effective Date: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee; (b) the managing member or manager of Franchisee, if franchisee is a limited liability company, (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee and/or of any entity directly or indirectly controlling Franchisee; and (d) the Managing Owner(s).

"**Prohibited Activities**" refers to and means any or all of the following: (a) owning and/or having any legal or equitable interest (whether as an individual proprietor or as an owner, partner, member or shareholder of a Corporate Entity or, in any similar capacity) in a Competitive Business (other than owning an interest of three percent (3%) or less in a publicly traded company that is a Competitive Business); (b) operating, managing, funding and/or performing services (whether as an employee, officer, director, manager, consultant, representative, agent, and/or creditor or in any similar capacity) for a Competitive Business; (c) diverting or attempting to divert any business or customers from us (or one of our affiliates or franchisees); and/or (d) inducing any customer or client of ours (or of one of our

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affiliates or franchisees) or of Franchisee to any other person or business that is not an Angels Spa.

"**Reasonable Business Judgment**" refers to our business judgment and means and relates to any and all decisions, actions and choices made by us concerning or relating to this Agreement, the Franchise Agreement, the System, Angels Spas, Franchisee's Spa Location, and/or the Franchised Business where we undertake or make such decision with the intention of benefitting or acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining designated territory markets, minimizing potential customer confusion as to the location of Angels Spas, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. Franchisee agrees that when a decision, determination, action and/or choice is made by us in our Reasonable Business Judgment that such decision, determination, action or choice made by us shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. Franchisee agrees that in connection with any decision, determination, action and/or choice made by us in our Reasonable Business Judgment that: (a) we possess a legitimate interest in seeking to maximize our profits; (b) we shall not be required to consider Franchisee's individual economic or business interests as compared to the overall System; and (c) should we economically benefit from such decision, determination, action and/or choice that such economic benefit to us shall not be relevant to demonstrating that we did not exercise reasonable business judgment with regard to our obligations under the Franchise Agreement and/or with regard to the System. Franchisee agrees that neither Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute Franchisee's or such third party's judgment for our Reasonable Business Judgment. Franchisee further agrees that should Franchisee challenge our Reasonable Business Judgment in any legal proceeding that Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that we failed to exercise our Reasonable Business Judgment.

"**Restricted Period**" refers to and means the twenty-four (24) month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee assigns the Franchise Agreement to another person (other than you or your Spouse or an Immediate Family Member) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee, the date on which your Spouse ceases to be an Owner of Franchisee. Provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the eighteen (18) month period after the earliest to occur of the following: (a) the expiration of the Franchise Agreement; (b) the termination of the Franchise Agreement; (c) the date on which Franchisee assigns the Franchise Agreement to another person (other than you or your Spouse or an Immediate Family Member) provided that you do not and your Spouse does not own or hold, in the assignee, any direct or indirect ownership and/or equity interest whether legal, equitable or otherwise; (d) if you are an Owner of Franchisee, the date on which you cease to be an Owner of Franchisee; or (e) if you are the Spouse of an Owner of Franchisee.

"**Restricted Territory**" refers to and means the geographic area: (a) comprising Franchisee's Designated Territory; (b) within a fifteen (15) mile radius surrounding Franchisee's Designated Territory (or, if Franchisee is not granted or designated a designated territory, then a fifteen (15) mile radius surrounding Franchisee's Spa Location); (c) within a fifteen (15) mile radius surrounding the Spa Locations for all other Angels Spas operating and/or under development as of the Effective Date; and (d) within a fifteen (15) mile radius surrounding the Spa Locations for all other Angels Spas that are in operation or under development during all or any part of the Restricted Period; provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be

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enforceable, then the "Restricted Territory" means the geographic area within Franchisee's Designated Territory plus a fifteen (15) mile radius surrounding Franchisee's Designated Territory or, if Franchisee is not granted or designated a designated territory, then a fifteen (15) mile radius surrounding Franchisee's Spa Location.

"**Spa Facility**" refers to and means the fixed commercial facility including, the fixtures and improvements, from which Angels Spas are established, operated and managed.

"**Spa Location(s)**" refers to and means the location(s) from which Angels Spas are established, operated and managed.

"**Spouse**" refers to and means, as of the Effective Date, the legal spouse of an Owner.

"**System**" refers to and means our system for the development, establishment and operation of Angels Spas including, but not limited to: (a) the System Products and Services, System Supplies and services, procedures and systems that are designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the system including components to the system and modifications and replacements thereto shall be determined by us in our Reasonable Business Judgment.

"**System Supplies**" refers to and means the products, equipment, supplies, inventory, materials and services including, but not limited to, branded and unbranded beauty and skincare products, branded merchandise, uniforms, displays, and merchandise, and the Business Management System designated by us in the Operations Manual and as may be modified and supplemented by us from time to time in our Reasonable Business Judgment.

"**System Products and Services**" shall have the meaning defined in the "Recitals" section of this Agreement and shall further refer to and mean those products and services that we authorize for sale by Angels Spas. We shall exclusively designate and determine the System Products and Services and we, in our Reasonable Business Judgment, may change, modify, reduce or supplement the System Products and Services that must be offered and sold by the Franchised Business and those products and services that may not be sold by the Franchised Business. The Operations Manual, subject to changes that we may make from time to time and our right to change and modify the System Products and Services, shall designate the System Products and Services that must be offered and sold by the Franchised Business. The Franchised Business may only offer and sell the System Products and Services.

"**System Website**" refers to and means the web page and/or pages located on the world wide web at the angelspausa.com URL (uniform resource locator) and shall further include all webpages and subdomains (including those that are franchisee and/or geography specific) that are a part of angelspausa.com, or as designated by us as being associated with the URL of angelspausa.com and/or Angels Spas.

"**Trade Dress**" refers to and means the Spa designs, images, marketing materials, packaging, branding and/or branding images which we authorize and require Franchisee to use in connection with the operation of the Franchised Business and as may be revised and further developed by us from time to time.

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"**Transfer**" refers to and means a transfer, sale and/or assignment whether legally, equitably or otherwise.

3. Additional Acknowledgments by You

In addition to the representations and acknowledgments contained in the Recitals and Representations, above, and incorporated into this Agreement, you acknowledge and represent that:

(a) as of the Effective Date you are an Owner and/or Spouse;

(b) that you are signing this Agreement in your individual capacity and that you are bound to the terms and conditions of this Agreement and irrespective of any change in your status as an Owner and/or Spouse;

(c) in your capacity as an Owner of Franchisee or as the Spouse of an Owner of Franchisee that you have and will be gaining access to, among other things, the System and Intellectual Property;

(d) you acknowledge that all of the components and aspects of the System and Intellectual Property (both individually and as they relate to one another collectively) are critical to our success as the franchisor of the System and to the overall System;

(e) you acknowledge that we need to protect the System and Intellectual property and that to do so we require that you, in your individual capacity, to agree to the brand protection, non-competition and other covenants and restrictions contained in this Agreement and that you personally guarantee the financial and other obligations of Franchisee to us; and

(f) you acknowledge that the terms of this Agreement are fair and reasonable and that you have elected, based on your own decision, to enter into this Agreement to induce us to enter into the Franchise Agreement with Franchisee.

4. Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions

(a) Know-How. You agree that: (i) you will not use the Know-How in any business or capacity other than the Franchised Business; (ii) you will maintain the confidentiality of the Know-How at all times; (iii) you will not make unauthorized copies of documents containing any Know-How; (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-How; and (v) you will stop using the Know-How immediately if you are no longer an Owner of Franchisee or your Spouse is no longer an Owner of Franchisee, as applicable. You will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the Franchise Agreement and Operations Manual. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

(b) Non-Competition During Franchise Relationship. Subject to the terms and conditions of Article 5 of this Agreement, below, you represent and agree that while you are an Owner of Franchisee or while your Spouse is an Owner of Franchisee (as applicable) that you will not engage in any Prohibited Activities. You acknowledge and agree that this restriction is fair and reasonable

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and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm us and the System.

(c) Non-Competition After Franchise Relationship. You represent, acknowledge and agree that during the Restricted Period you will not engage in any Prohibited Activities; provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers/clients who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach). You acknowledge and agree that this restriction is fair and reasonable and that if you did engage in a Prohibited Activity that such actions would constitute acts of unfair competition and will irreparably harm us and the System.

(d) Confidentiality Restrictions. You represent, acknowledge and agree that, at all times you: (i) shall not use the Confidential Information in any business or capacity other than the Franchised Business; (ii) shall maintain the confidentiality of the Confidential Information; (iii) shall not make unauthorized copies of documents containing any Confidential Information; (iv) shall take such reasonable steps as we may ask of you and/or Franchisee from time to time to prevent unauthorized use or disclosure of the Confidential Information; (v) shall immediately and permanently stop using the Confidential Information upon the expiration or termination of the Franchise Agreement; (vi) shall immediately and permanently stop using the Confidential Information if you are no longer an Owner of Franchisee and/or the Spouse of an Owner; (vii) shall immediately and permanently stop using the Confidential Information upon Franchisee's Transfer of the Franchise Agreement; and (viii) shall not disclose the Confidential Information to any third party except in a legal proceeding pursuant to an order of a court of competent jurisdiction and after affording us no less than 15 business days prior notice and an opportunity for us, at our election, to appear in such action.

(e) Immediate Family Members. You acknowledge that should you circumvent the purpose and protections (due to us) of this Agreement by disclosing Know-How to an immediate family member (*i.e.*, parent, sibling, child, or grandchild) we will and the System will be irreparably harmed. You acknowledge that if you did disclose the Know-How to an immediate family member and your immediate family member used the Know-How to engage in activities that, for you, qualify as Prohibited Activities as defined above, that we and the System will be irreparably harmed. You agree that as between you and us that you are in a better position to know if you permitted and/or provide an immediate family member with access to the Know-How. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-How. However, you may rebut this presumption by providing evidence conclusively demonstrating that you did not disclose the Know-How nor permit disclosure of the Know-How to the family member.

(f) Reasonableness of Covenants and Restrictions. You acknowledge and agree that: (i) the terms of this Agreement are reasonable both in time and in scope of geographic area; and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic are, we may at any time unilaterally modify the terms of this Article 4 (Intellectual Property, Brand Protection and Non-Competition Covenants

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and Restrictions) by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Article 4 to ensure that the terms and covenants are enforceable under applicable law.

(g) Breach. You agree that failure to comply with these Article 4 Intellectual Property, Brand Protection and Non-Competition Covenants and Restrictions will cause irreparable harm to us and/or other Spa franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

5. Transfer Restrictions and Non-Competition Covenants and Restrictions.

Notwithstanding anything contained in this Agreement to the contrary, you expressly acknowledge and agree that if you are an Owner, and/or the Spouse of an Owner, that, prior to Transferring an Owner's equity and/or ownership interests in Franchisee that, among other things, Franchisee must notify us and obtain our written consent. Likewise, you acknowledge and agree that under the Franchise Agreement that prior to Franchisee's Transfer of the Franchise Agreement, among other things, Franchisee must notify us and obtain our written consent. For our protection and to prevent the subversion of the non-competition covenants contained in Article 4(b) of this Agreement and, to induce us to enter into the Franchise Agreement with Franchisee, you agree, that:

(a) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(b) if you are a Spouse, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee and/or should Franchisee, fail to obtain our consent to the proposed Transfer of your Spouse's equity and/or ownership interests in Franchisee (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement;

(c) if you are an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b)

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of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement; and

(d) if you are the Spouse of an Owner, should Franchisee fail to properly and timely notify us in writing of the proposed Transfer of the Franchise Agreement to a third party and/or should Franchisee, fail to obtain our consent to the proposed Transfer of the Franchise Agreement to a third party (which we may either reject or approve, in accordance with the terms and conditions of the Franchise Agreement), you shall remain subject to the non-competition covenants contained in Article 4(b) of this Agreement and irrespective of any purported and/or actual Transfer in violation of the terms and conditions of the Franchise Agreement.

6. Personal Guaranty of Franchise Agreement and Financial Obligations

To secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours (collectively the "Ancillary Agreements") you individually, jointly and severally, and personally and unconditionally:

(a) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Franchise Agreement;

(b) guarantee to us and our successor and assigns, that Franchisee shall punctually satisfy and pay all of Franchisee's payment and other obligations under the Ancillary Agreements;

(c) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us pursuant to the terms of the Franchise Agreement (including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the advertising obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement);

(d) agree, at all times, to be personally bound by and personally liable for each and every fee, payment and monetary obligation due from Franchisee to us and/or our affiliates under the Ancillary Agreements;

(e) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Franchise Agreement including, but not limited to, the fee obligations of Article 5 of the Franchise Agreement, the advertising obligations of Article 9 of the Franchise Agreement, and the indemnification obligations of Article 10 of the Franchise Agreement; and

(f) do, at all times, hereby personally guarantee payment of each and every fee, payment and monetary obligation due or that may become due from Franchisee to us pursuant to the terms of the Ancillary Agreements.

You waive: (a) acceptance and notice of acceptance by us of the foregoing undertakings; (b) notice of demand for payment of any indebtedness guaranteed; (c) protest and notice of default to any party with respect to the indebtedness guaranteed; (d) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability; and (e) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed.

You agree that: (a) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement; (b) you will render any payment required under the Franchise Agreement and the Ancillary Agreements upon demand if Franchisee fails or refuses punctually

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to do so; (c) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person; and (d) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Franchise Agreement and the Ancillary Agreements and following the termination, expiration or Transfer of each of the Franchise Agreement and the Ancillary Agreements to the extent any financial obligations under any such Franchise Agreement and Ancillary Agreements survive such termination, expiration or Transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Franchise Agreement and/or and Ancillary Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

7. Arbitration, Consent to Jurisdiction and Venue, and Cross-Default

Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. Without limitation to the foregoing, you agree that:

(a) Arbitration – Except, at our option, as to any claims or disputes related to or concerning a breach of this Agreement by you that may entitle us to the award of injunctive relief, you agree that any and all disputes, controversies, and claims, arising from and/or related to this Agreement, shall be submitted to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one (1) arbitrator in accordance with the American Arbitration Association's then current rules for commercial disputes, except as may be otherwise required in this Agreement. All arbitration proceedings shall be conducted in Orange County, California or, if suitable American Arbitration Association facilities are not available in Orange County, California then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to Orange County, California.

In connection with binding arbitration, you agree that:

(i) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;

(ii) The arbitration hearing shall be conducted within one hundred and eighty (180) days of the demand for arbitration;

(iii) The arbitrator shall render written findings of fact and conclusions of law;

(iv) Except as may be otherwise required and/or prohibited by this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid; and

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(iv) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction.

(b) **Consent to Jurisdiction and Venue – You agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within California and within Orange County or the county closest to Orange County. You do hereby irrevocably consent to and waive any objection to the such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, you agree that we, at our election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking our enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where you reside.**

(c) Acknowledgment as to Cross-Default – You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us, among other things, to terminate the Franchise Agreement in accordance with the terms thereof.

8. Miscellaneous

(a) If either party hires an attorney or files suit against the other party in relating to and alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

(b) This Agreement will be governed by, construed and enforced under the laws of California and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

(d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

[SIGNATURE PAGE TO FOLLOW]

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IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

Owner / Spouse:

Signature of Owner / Spouse

Name (please print)

Date

Signature of Owner / Spouse

Name (please print)

Dated

Owner / Spouse:

Signature of Owner / Spouse

Name (please print)

Date

Signature of Owner / Spouse

Name (please print)

Dated

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Angels Spa Franchise Agreement
EXHIBIT 2
JOINDER AGREEMENT

JOINDER AGREEMENT

Without limitation to the "Franchise Owner and Spouse Agreement and Guaranty" executed simultaneously hereto, and to induce Special Spa Franchising, Inc.. to enter into the Angels Spa Franchise Agreement with [_____], as Franchisee (the "Franchise Agreement"), the undersigned individuals do hereby agree to be individually, jointly and severally bound by and to each and every term, provision, covenant and obligation set forth in the Franchise Agreement.

In the event of any conflict between the terms of this Joinder agreement and the "Franchise Owner and Spouse Agreement and Guaranty" agreement, the terms of the "Franchise Owner and Spouse Agreement and Guaranty" agreement shall take precedence and govern.

_____	_____
Signature	Signature
_____	_____
Name (please print)	Name (please print)
Dated _____	Dated _____

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Angels Spa Franchise Agreement
EXHIBIT 3
FRANCHISEE DISCLOSURE QUESTIONNAIRE
AND REPRESENTATIONS STATEMENT

FRANCHISEE DISCLOSURE QUESTIONNAIRE AND REPRESENTATIONS - IN CONNECTION WITH THE ANGELS SPA FRANCHISE AGREEMENT (THE "FRANCHISE AGREEMENT") AND FRANCHISE RELATIONSHIP THAT YOU ARE ABOUT TO ENTER INTO WITH SPECIAL SPA FRANCHISING, INC. (HEREINAFTER REFERRED TO AS "WE" OR "US"), WE REQUIRE THAT YOU COMPLETE THIS FRANCHISEE DISCLOSURE QUESTIONNAIRE AND REPRESENTATIONS STATEMENT (THE "QUESTIONNAIRE"). THIS QUESTIONNAIRE MUST BE THOROUGHLY REVIEWED BY YOU, COMPLETED BY YOU AND SIGNED BY YOU AT THE TIME OF SIGNING THE FRANCHISE AGREEMENT. THE RESPONSES THAT YOU PROVIDE WILL BE RELIED UPON BY US AND ARE INTENDED TO CLARIFY AND DEMONSTRATE WHETHER OR NOT CERTAIN STATEMENTS OR PROMISES WERE MADE TO YOU AND TO CONFIRM YOUR UNDERSTANDING AND AS TO SOME OF THE LIMITATIONS THAT HAVE BEEN IMPOSED ON YOUR ABILITY TO MAKE CERTAIN CLAIMS IN THE FUTURE ABOUT YOUR PURCHASE OF AN ANGELS SPA FRANCHISE AND YOUR OPERATION OF AN ANGELS SPA. PLEASE REVIEW THIS QUESTIONNAIRE CAREFULLY, ANSWER ALL YES AND NO QUESTIONS BELOW. IF YOU ANSWER "NO" TO ANY PARTICULAR QUESTION WE REQUIRE THAT YOU PROVIDE AN EXPLANATION AS TO THE FACTS AND INFORMATION AS TO WHY YOU HAVE ANSWERED "NO".

Yes/No ____ l. Have you received and personally reviewed the Franchise Agreement and each schedule and exhibit attached to it?

Yes/No ____ 2. Have you received and personally reviewed the Franchise Disclosure Document we provided?

Yes/No ____ 3. Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it?

Yes/No ____ 4. Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement?

Yes/No ____ 5. Did you receive the Franchise Disclosure Document at least 14 calendar days before signing any agreement relating to the franchise or paying any money?

Yes/No ____ 6. Do you understand the risks of developing and operating an Angels Spa franchise?

Yes/No ____ 7. Do you understand that the success or failure of your Angels Spa will depend, in large measure, on your skills, abilities and efforts and those of the persons you employ as well as many other factors beyond your control such as competition, cash flow, interest rates, the economy, inflation, labor and supply costs and other relevant factors?

Yes/No ____ 8. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must first be mediated in non-binding mediation and then arbitrated before the American Arbitration Association in an arbitration proceeding conducted in the State of California as designated in

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the Franchise Agreement?

Yes/No ____ 9. Do you understand that you must satisfactorily complete the initial training before we will allow you to open your Angels Spa?

Yes/No ____ 10. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating an Angels Spa that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes/No ____ 11. Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your Franchise Agreement, concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes/No ____ 12. Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue an Angels Spa will generate, that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document?

Yes/No ____ 13. Do you understand that the Franchise Agreement and the schedules and exhibits attached to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for your Angels Spa and that under no circumstance shall any prior oral or written statements not contained in the Franchise Agreement or the schedules and exhibits to the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT WE ARE RELYING ON YOUR ANSWERS TO THIS QUESTIONNAIRE AND YOU REPRESENT THAT YOU HAVE CAREFULLY REVIEWED AND HAVE TRUTHFULLY RESPONDED TO EACH QUESTION.

_____	_____
Signature of Franchise	Signature of Franchise
_____	_____
Name (please print)	Name (please print)
Dated _____	Dated _____

[CONTINUED ON NEXT PAGE]

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<u>Additional Information:</u> If you have answered "No" to any question above, please identify the question number and provide information as to why you have answered "No":

Angels Spa Franchise Agreement
EXHIBIT 4
CONFIDENTIALITY AGREEMENT

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CONFIDENTIALITY AGREEMENT

THIS CONFIDENTIALITY AGREEMENT (the "Agreement") is entered into by the undersigned ("you") in favor of Special Spa Franchising, Inc., a California Corporation, and its successors and assigns ("us", "our", or "we"), upon the terms and conditions set forth below. Each signatory to this Agreement is referred to as "you".

Recitals and Representations

WHEREAS, you are or are about to be an employee, independent contractor, officer and/or director of an Angels Spa that is owned and operated by one of our franchisees (the "Franchisee");

WHEREAS, this Agreement is not an employment agreement;

WHEREAS, in the course of your employment and/or association with our Franchisee and your participation and/or access to the Angels Spa of our franchisee, you may gain access to our Intellectual Property, Know-How and System (terms that are defined below in this Agreement) and you understand that it is necessary for us to protect our Intellectual Property, Know-How and System;

WHEREAS, you understand that Intellectual Property, our System and Know-How are critical to the success of our franchise and to the success of Angels Spa, including the Angels Spa owned by the Franchisee.

NOW THEREFORE, you acknowledge and agree as follows:

1. Recitals and Representations

You agree that the foregoing Recitals and Representations are true and accurate and shall constitute a part of this Agreement and are hereby incorporated into the main body of this Agreement.

2. Definitions

For purposes of this Agreement, the following terms have the meanings given to them below:

> "**Business Management System**" refers to and means the internet, web based and/or cloud based system or systems, point of sale system or systems and customer relationship management system or systems as being required for use by Franchisee's Angels Spa, including, but not limited to, the day-to-day sales, orders, operations and management of Franchisee's Angels Spa. Without limitation to the foregoing, the Business Management System may include: (a) multiple point of sale systems or systems installed and maintained on-site at the location of Franchisee's Angels Spa; (b) web, intra-net or cloud based customer ordering, processing systems, production and service delivery systems; and (c) customer membership and rewards systems.

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"**Business Management System Data**" refers to and means the forms, data, tools, customer information, inventory and sales information that: (a) is pre-populated or entered into the Business Management System utilized by Franchisee; (b) is entered by us or Franchisee (including Franchisee's employees), into the Business Management System utilized by Franchisee; (c) is recorded, stored and/or maintained by the Business Management System in connection with the management and operations of Franchisee's Angels Spa.

"**Confidential Information**" refers to and means all of our trade secrets, methods, standards, techniques, procedures, data and information (as same may exist as of the Effective Date of this Agreement and as may be developed, modified and supplemented in the future) constituting and comprising: (a) methods, specifications, standards, policies, procedures, information, concepts, programs and systems relating to the development, establishment, marketing, promotion and operation of Angels Spas; (b) information concerning consumer preferences for services, products, materials and supplies used or sold by, and specifications for and knowledge of suppliers of certain materials, equipment, products, supplies and procedures used or sold by Angels Spas; (c) information concerning customers, customer lists, email lists, database lists, product sales, operating results, financial performance and other financial data of Angels Spas; (d) customer lists and information related to Angels Spas and Franchisee's Angels Spa; (e) Business Management System Data; (f) current and future information contained in the Operations Manual; and (g) Know-How.

"**Copyrights**" refers to and means all works and materials for which we or our affiliate have secured common law or registered copyright protection and that we allow Angels Spa franchisees to use, sell or display in connection with the development, marketing and/or operation of an Angels Spa, whether now in existence or created in the future.

"**Digital Media**" refers to and means any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, and YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to an Angels Spa, Angels Spas, Franchisee's Angels Spa, the Licensed Marks, the System and/or us. Digital Media further includes the System Website, web pages and website subdomains (including those related to, associated with and/or a part of the System website) associated with and/or related to Franchisee's Angels Spa and all web pages, blog posts, videos, articles, social media accounts and pages, website directory pages, information, sub-domains and all other media and/or publications relating to the System that is displayed and/or transmitted digitally.

"**Franchisee**" means the Angels Spa franchisee for whom you are an employee, independent contractor, officer and/or director or you are about to be an employee, independent contractor, officer and/or director.

"**Intellectual Property**" means, individually and collectively, our Licensed Marks, Copyrights, Know-How and System.

"**Know-How**" refers to and means our trade secrets and proprietary information relating to the development, establishment, marketing, promotion and/or operation of an Angels Spa including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information reflected in, comprising or constituting a part of the System. Without limitation to the foregoing, Know-How includes information contained in the Operations Manual and the Confidential

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Information.

"**Licensed Marks**" refers to and means the word marks, trademarks, service marks, and logos now or hereafter utilized in the operation of an Angels Spa, including, but not limited to, the "Angels Spa" trademark, the Angels Spa logo and related logos, and any other trademarks, service marks or trade names that we designate for use in an Angels Spa.

"**Operations Manual**" means our confidential operations manual for the development and operation of Angels Spas and containing our policies, procedures and requirements for the development and operation of Angels Spas, which may consist of one of more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, webinars and other materials as may be modified, added to, replaced or supplemented by us from time to time in our sole discretion, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to our modification from time to time, and based on our reasonable business judgment, the Operations Manual shall, among other things, designate the System Products and Services that must be offered and provided by Franchisee's Angels Spa. Only System Products and Services may be offered and sold by Franchisee's Angels Spa. Only those System Supplies as designated in the Operations Manual may be utilized by Franchisee in the operations of Franchisee's Angels Spa.

"**Reasonable Business Judgment**" refers to our business judgment and means and relates to any and all decisions, actions and choices made by us concerning or relating to the Franchise Agreement, the System, Angels Spas and Franchisee's Angels Spa where we undertake or make such decision with the intention of benefitting or acting in a way that could benefit the System including, as examples and without limitation, enhancing the value of the Licensed Marks, increasing customer satisfaction, minimizing potential customer confusion as to the Licensed Marks, determining designated territory markets, minimizing potential customer confusion as to the location of Angels Spas, expanding brand awareness of the Licensed Marks, implementing marketing and accounting control systems, approving products, services, supplies and equipment. You agree that when a decision, determination, action and/or choice is made by us in our Reasonable Business Judgment that such decision, determination, action or choice made by us shall take precedence and prevail, even if other alternatives, determinations, actions and/or choices are reasonable or arguably available and/or preferable. You agree that in connection with any decision, determination, action and/or choice made by us in our Franchisor's Reasonable Business Judgment that: (a) we possesses a legitimate interest in seeking to maximize our profits; (b) We shall not be required to consider your individual economic or business interests as compared to the overall System; and (c) should we economically benefit from such decision, determination, action and/or choice that such economic benefit to us shall not be relevant to demonstrating that we did not exercise reasonable business judgment with regard to our obligations under this Agreement, the Franchise Agreement and/or with regard to the System. You agree that neither you, Franchisee and/or any third party, including, but not limited to, any third party acting as a trier of fact, shall substitute yours, Franchisee's or such third party's judgment for our Reasonable Business Judgment. You further agree that should either you or Franchisee challenge our Reasonable Business Judgment in any legal proceeding that you and Franchisee shall possess the burden of demonstrating, by clear and convincing evidence, that we failed to exercise our Reasonable Business Judgment.

"**System**" refers to and means our system for the development, establishment and operation of Angels Spas including, but not limited to, (a) the System Products and Services, System Supplies and services, procedures and systems that are designated by us, whether presently or in the future, for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (b) the Licensed Marks; (c) the Trade Dress; (d) Copyrights; (e) other trade names, service marks, signs, and logos, copyrights and trade dress that is designated by us, whether presently or in the future,

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for use in connection with the development, establishment, marketing, promotion and operation of an Angels Spa; (f) Operations Manual; (g) Business Management System Data; (h) Know-How; (i) Confidential Information; and (j) Digital Media. All determinations as to the System including components to the system and modifications and replacements thereto, shall be determined by us, in our Reasonable Business Judgment.

"**System Products and Services**" refers to and means those products and services that we authorize for sale by Angels Spas. We exclusively designate and determine the System Products and Services and we, in our Reasonable Business Judgment, may change, modify, reduce or supplement the System Products and Services that must be offered and sold from Franchisee's Angels Spa and those products and services that may not be sold from Franchisee's Angels Spa. The Operations Manual, subject to changes that we may make from time to time and our right to change and modify the System Products and Services, shall designate the System Products and Services that must be offered and sold by Franchisee's Angels Spa. Franchisee's Angels Spa may only offer and sell the System Products and Services.

"**System Website**" refers to and means the web page and/or pages located on the world wide web at the angelspausa.com URL (uniform resource locator) and shall further include all webpages and subdomains (including those that are franchisee and/or geography specific) that are a part of angelspausa.com, or as designated by us as being associated with the URL of angelspausa.com and/or Angels Spas.

"**Trade Dress**" refers to and means the Angels Spa designs, images, marketing materials, packaging, branding and/or branding images that we authorize and require Franchisee to use in connection with the operation of Franchisee's Angels Spa and as may be revised and further developed by us from time to time.

3. Additional Acknowledgments by You

In addition to the representations and acknowledgments contained in the Recitals and Representations, above, you acknowledge and represent that we need to protect the System and Intellectual property and that to do so we require that you, in your individual capacity, agree to the brand protection, non-competition and other covenants and restrictions contained in this Agreement. You acknowledge that the terms of this Agreement are fair and reasonable.

4. Know-How and Intellectual Property Protection

You agree that:

(a) you will not use the Know-How and/or Intellectual Property in any business or capacity other than the Angels Spa operated by Franchisee;

(b) you will maintain the confidentiality of the Know-How and Intellectual Property at all times;

(c) you will not make unauthorized copies of documents containing any Know-How and/or the Intellectual Property;

(d) you will take such reasonable steps as Franchisee may ask of you from time to time to prevent unauthorized use or disclosure of the Know-How and/or Intellectual Property; and

(e) you will stop using the Know-How and Intellectual Property immediately if you are no longer an employee, independent contractor, officer and/or director of Franchisee. You will not use the

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Know-How and/or Intellectual Property for any purpose other than for the performance of your duties on behalf of Franchisee and in accordance with the scope of your engagement and/or employment with Franchisee.

5. Reasonableness of Covenants and Restrictions

You acknowledge and agree that the terms of this Agreement are reasonable and fair and that you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

6. Breach

You agree that failure to comply with the terms of this Agreement will cause irreparable harm to us, Franchisee and other Angels Spa franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of these covenants will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed $1,000. None of the remedies available to us under this Article are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages.

7. Miscellaneous

(a) If we hire an attorney or files suit against you because you have breached this Agreement and if we prevail in such lawsuit, you agree to pay the reasonable attorney fees and costs that we incur.

(b) This Agreement will be governed by, construed and enforced under the laws of California and the courts in that state shall have exclusive jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion; and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(d) YOU ACKNOWLEDGE THAT THIS IS NOT AN EMPLOYMENT AGREEMENT AND THAT THERE IS NOT AND SHALL NEVER BE AN EMPLOYER – EMPLOYEE RELATIONSHIP BETWEEN YOU AND US (SPECIAL SPA FRANCHISING, INC.). YOUR RELATIONSHIP WITH FRANCHISEE (INCLUDING YOUR EMPLOYMENT RELATIONSHIP, THE TERMS OF YOUR EMPLOYMENT AND THE CREATION AND/OR TERMINATION OF SUCH EMPLOYMENT RELATIONSHIP) IS AND SHALL BE EXCLUSIVELY CONTROLLED BETWEEN YOU AND FRANCHISEE. WE ARE NOT A JOINT EMPLOYER AND THERE IS NO EMPLOYMENT RELATIONSHIP BETWEEN YOU AND US. THIS AGREEMENT RELATES, EXCLUSIVELY, TO BRAND PROTECTION.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

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RESTRICTED PARTY:

Witness Signature Only: The Undersigned affirms that he/she witnessed the signature of the Restricted Party in this Agreement

Signature of Restricted Party	Signature of Witness Only
Name of Restricted Party(please print)	Name of Witness (please print)
Date	Date

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Angels Spa Franchise Agreement
EXHIBIT 5
FRANCHISEE'S ANGELS SPA LOCATION AND DESIGNATED TERRITORY ACKNOWLEDGMENT

FRANCHISEE'S ANGELS SPA LOCATION
AND DESIGNATED TERRITORY ACKNOWLEDGMENT

Pursuant to the terms of the Franchise Agreement dated _____ by and between Special Spa Franchising, Inc., as Franchisor, and _____, as Franchisee, Franchisee has selected the following proposed Spa Location and Franchisor, pursuant to the terms and conditions of the Franchise Agreement, approves the proposed Spa Location as Franchisee's Spa Location.

[To be Effective this Schedule Must be Completed and Signed by Franchisor]

Franchisor and Franchisee agree that the location set forth above constitutes Franchisee's Spa Location as such term is defined in the Franchise Agreement. Franchisor, in Franchisor's sole discretion, does hereby designate Franchisee's "Designated Territory", as such term is defined in the Franchise Agreement, including, but not limited to Articles 1 and 2.A of the Franchise Agreement, as follows:

[To be Effective this Schedule Must be Completed and Signed by Franchisor]

In the event of any conflict between this Franchisee's Angels Spa Location and Designated Territory Acknowledgment and the Franchise Agreement, the terms and provisions of the Franchise Agreement shall take precedence and govern.

Franchisor:
Special Spa Franchising, Inc.

By: _____

Title

Franchisee:

_____
Franchisee Signature

_____
Name (please print)

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Angels Spa Franchise Agreement
EXHIBIT 6
SITE SELECTION ACKNOWLEDGMENT

ANGELS SPA SITE SELECTION ACKNOWLEDGMENT

(THIS DOCUMENT DOES NOT CONSTITUTE THE APPROVAL OF A Spa LOCATION, DOES NOT GRANT OR DESIGNATE AN OPERATING TERRITORY AND DOES NOT GRANT ANY TERRITORIAL RIGHTS)

Date of this Acknowledgment:_____(the "Site Selection Acknowledgment Date")

Pursuant to and subject to the terms of the Franchise Agreement dated _____ by and between Special Spa Franchising, Inc., as Franchisor, and _____, as Franchisee (the "Franchise Agreement"), Franchisee has identified a potential area in which Franchisee may seek to identify a potential spa for Franchisee's Angels Spa. Based on Franchisee's request, Franchisor agrees that during the limited period of time that commences on the Site Selection Acknowledgment Date and automatically expires sixty (60) calendar days after the Site Selection Acknowledgment Date, that Franchisor shall not grant to any third-party the license or right to establish an Angels Spa Location within the following geographic area constituting the Site Selection Area, as such term is defined in the Franchise Agreement:

Site Selection Area: [Must be completed by Franchisor]

The terms contained in this Site Selection Acknowledgment shall have the meaning set forth in the Franchise Agreement including, but not limited to Article 1 and Article 2 of the Franchise Agreement. In the event of any inconsistency or conflict between this Site Selection Acknowledgment and the terms of the Franchise Agreement, the terms of the Franchise Agreement shall take precedence and govern. If Franchisor does not complete the Site Selection Acknowledgment Date and sign this Site Selection Acknowledgment then this Site Select Addendum shall not be effective and there shall be no Site Selection Area. As set forth in the Franchise Agreement, among other things, A SITE SELECTION AREA IS NOT AN OPERATING TERRITORY, DOES NOT CONSTITUTE THE APPROVAL AS TO ANY Spa LOCATION AND DOES NOT AFFORD FRANCHISEE ANY TERRITORIAL RIGHTS.

Franchisor:
Special Spa Franchising, Inc.

By:_____

_____
Title

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Angels Spa Franchise Agreement
EXHIBIT 7
LEASE AGREEMENT RIDER

ANGELS SPA LEASE AGREEMENT RIDER
(for the benefit of Special Spa Franchising, Inc. and its assigns)

THIS RIDER TO LEASE ("Rider") does hereby supplement, modify and amend the terms of the lease agreement (the "Lease") dated _____ by and between _____, a _____ with a principal place of business located at _____ (the "Landlord") and _____, a __ _____ with a principal place of business located at _____ (the "Tenant").

WHEREAS, the lease relates to the following commercial premises (the "Leased Premises"):

_____

_____

WHEREAS, Special Spa Franchising, Inc. (the "Franchisor") is the franchisor of the Angels Spa franchise system (the "Angels Spa Franchise System");

WHEREAS, Franchisor's mailing and notice address (the "Notice Address") is Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648.

WHEREAS, The Angels Spa Franchise System relates to and includes a spa that that offers and sells professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other approved products and services that the Franchisor authorizes under the "Angels Spa" name and marks (the "Intended Use");

WHEREAS, Tenant is a franchisee of Franchisor and the Leased Premises is to be used and operated by Tenant for the purpose of developing, establishing and operating an Angels Spa in accordance with the Angels Spa franchise system;

WHEREAS, Franchisor and Franchisor's successors and assigns (collectively referred to as "Franchisor") is/are an intended third party beneficiaries of this Rider.

NOW THEREFORE, Landlord and Tenant acknowledge and agree to the following:

1. This Rider supplements and amends the Lease. In the event of any inconsistency or conflict between the terms of this Rider and the Lease, the terms of this Rider shall prevail. Landlord and Tenant acknowledge that the rights set forth in this Rider may not be reduced, modified or altered without the express written consent of Franchisor.

2. Landlord and Tenant both agree that Tenant shall not be permitted to transfer, sublease, encumber and/or otherwise assign Tenant's interests in the Lease and/or the Leased Premises without the prior written consent of Franchisor. Without limitation to the foregoing, among other things, Tenant acknowledges and agrees that if Tenant wishes to transfer any interests in the Lease or the Leased Premises that Tenant must request the written consent of Franchisor. If Tenant requests Landlord's consent to Tenant's transfer and/or

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assignment of Tenant's interests in the Lease and/or the Leased Premises and if Landlord is inclined to approve of such transfer and/or assignment that Landlord shall condition Landlord's approval upon Tenant also obtaining written consent from Franchisor.

3. Upon the occurrence of (a) The termination, for any reason, of the Franchise Agreement between Franchisor and Tenant, (b) The expiration, without renewal, of the Franchise Agreement between Franchisor and Tenant; (c) Franchisor's exercise of Franchisor's Right of First Refusal granted to Franchisor in the Franchise Agreement, and/or (d) Tenants default under the terms of the Lease Tenant and Landlord, acknowledge and agree, that:

> Franchisor will have the option, but not the obligation, to assume or renew the Lease and the occupancy of the Leased Premises, including the right to sublease to another Franchisee of the Angels Spa Franchise System, for all or any part of the remaining term of the Lease and, in connection with said assumption Franchisor will not be obligated to pay to Landlord more than two months past due rent and common area maintenance charges.

4. Subject to the rights set forth in Section 3 of this Rider, Landlord agrees to notify Franchisor by certified mail at the Notice Address of any default by Tenant under the Lease. Landlord agrees that such notice shall afford Franchisor the option for Franchisor to invoke a cure period whereby Franchisor, upon Franchisor's sole election, shall be granted a 15 day period to cure any monetary default by Tenant under the Lease and a 30 day period to cure any non-monetary default by Tenant under the Lease.

5. Landlord and Tenant acknowledge and agree that Franchisor is an intended third party beneficiary of this Rider and that Franchisor may bring an action to enforce Franchisor's rights under this Rider and in and to the Lease and the Leased Premises.

Landlord:	**Tenant:**
_____	_____
Signature	Signature
_____	_____
Name and Title (please print)	Name and Title (please print)
Dated _____	Dated _____

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Angels Spa Franchise Agreement
EXHIBIT 8
COLLATERAL ASSIGNMENT OF LEASE

COLLATERAL ASSIGNMENT OF LEASE
(for the benefit of Special Spa Franchising, Inc. and its assigns)

FOR VALUE RECEIVED, The undersigned ("Assignor") hereby assigns and transfers to Special Spa Franchising, Inc. ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under a certain lease, a copy of which is attached hereto as Exhibit "A" (the "Lease") for the following premises (the "Leased Premises"):

_____

_____

This Assignment is for collateral purposes only and except as may be otherwise expressly stated and specified herein under no circumstance shall Assignee have any liability or obligation under the Lease and/or Leased Premises, unless: (a) Assignee provides an express written statement that is addressed to Assignor and the landlord for the Leased Premises, is delivered by Assignee to Assignor and the landlord for the Leased Premises, is signed by an officer of Assignee, and that expressly states that Assignee is assuming all rights and interests in and to the Lease pursuant to this Assignment; and (b) Assignee takes possession of the Leased Premises pursuant to the terms hereof, and Assignee assumes the obligations of Assignor under the Lease.

Assignor represents that Assignor possesses full power and authority to enter into this Assignment and that at no time prior to executing this Assignment has Assignor assigned and/or transferred Assignor's interests and/or rights in or to the Lease and/or the Leased Premises.

Assignee has the right and possesses full power and authority to take possession of the Leased Premises, to eject and expel Assignor from possession and occupancy of the Leased Premises and to terminate Assignor's right, title and interest in and to the Lease in the event of: (a) a default by Assignor under the terms of the Lease and Assignor's failure to timely cure such default, assuming that such default is capable of curing; (b) a default by Assignor (in Assignor's capacity as an Angels Spa franchisee) under the terms and conditions of the Angels Spa franchise agreement between Assignor, as franchisee, and Assignee, as franchisor (the "Franchise Agreement"), and Assignor's failure to timely cure such default, assuming that such default is capable of curing; (c) upon default of any agreement supporting or guaranteeing the Franchise Agreement; or (d) the expiration or termination of the Franchise Agreement.

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Assignor acknowledges and agrees that Assignor will not and shall not permit, grant or suffer any termination, surrender or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement, Assignor shall elect and exercise all options to extend the terms of the or renewal of the Lease not less than 120 days prior to the last day that the option must be exercised unless Assignee otherwise agrees in writing. Should Assignor fail to comply with the foregoing, Assignor does hereby appoint Assignee (subject to Assignees acceptance and invocation of such right) to act on behalf of Assignor for the purpose of effectuating extensions and renewals of the Lease.

Releasor:

_____

Signature

_____

Name (please print)

Date _____

NOTARY SIGNATURE, SEAL AND INFORMATION: On _____before me, the undersigned, personally appeared _____ personally known to me or proven to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity/capacities, and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____

Notary Signature and Seal

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Angels Spa Franchise Agreement
EXHIBIT 9
ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS

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ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS
(for the benefit of Special Spa Franchising, Inc. and its assigns)

THIS ASSIGNMENT OF TELEPHONE NUMBERS AND DIGITAL MEDIA ACCOUNTS ASSIGNMENT ("Assignment") is entered into between _____ (the "Assignor") and Special Spa Franchising, Inc. and its successors and assigns (the "Assignee").

WHEREAS, Assignee is the franchisor of the Angels Spa franchise system (the "Angels Spa Franchise System");

WHEREAS, Assignor, as franchisee, and Assignee, as franchisor, are parties to an Angels Spa Franchise Agreement (the "Franchise Agreement")

WHEREAS, the term "Digital Media" shall refer to and mean "any interactive or static electronic document, application or media that is connected to and/or in a network of computers, servers and/or other devices linked by communications software, part of the world wide web (including, but not limited to websites), linked by the internet or part of a web based application, software application, smart phone based application or social media platform including, but not limited to social media platforms and applications such as Facebook, LinkedIn, Twitter, Pinterest, Instagram, Snapchat, and YouTube, and world wide web and internet based directories and local directories that refers, references, identifies, reviews, promotes and/or relates, in any way, to an Angels Spa, Angels Spas, Assignor's Angels Spa and/or trademarks associated with the Angels Spa Franchise System and/or Assignee. Digital Media further includes the Angels Spa website, web pages and website subdomains (including those related to, associated with and/or a part of the Angels Spa Franchise System) associated with and/or related to Assignor's Angels Spa and all web pages, blog posts, videos, articles, information, sub-domains, and all other media and/or publications relating to the Angels Spa Franchise System that is displayed and/or transmitted digitally;" and

WHEREAS, In connection with Assignor's establishment and operation of an Angels Spa, Assignor will be utilizing accounts, information, phone numbers and Digital Media subject to strict requirements set forth in the Franchise agreement.

NOW THEREFORE, Assignor, in exchange for good and valuable consideration provided and paid by Assignee (receipt of which is hereby acknowledged), agrees:

1. That Assignor does hereby assign to assignee all telephone numbers, facsimile numbers, listings, domain names and Digital Media that is associated with Assignor's Angels Spa including, the following (all collectively referred to as the "Media"):

(a) All phone numbers, facsimile numbers and listings that are currently, or in the future, associated with Assignor's Angels Spa;

(b) The following telephone and facsimile numbers:

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_____
_____; and

(c) All Digital Media, all Digital Media accounts and all Digital Media log-in information.

The foregoing shall not be construed and/or interpreted as Assignees acknowledgment and/or agreement that Assignor owns and/or possesses any ownership interests in the foregoing telephone numbers, accounts and/or Digital Media. Any and all rights of Assignor in and to same exist subject to a limited license pursuant to the Angels Spa Franchise Agreement which shall take precedence and govern. However, this Assignment is intended by Assignor and Assignee to be an instrument that may be relied upon by all third parties to authorize and permit the assignments and transfers set forth in this Assignment and to facilitate the transfer of accounts and media to within the control of Assignee. Nothing contained in this Assignment shall be used to construe nor imply that Assignor possesses any ownership interests or rights in the Digital Media and in the event of any inconsistency or conflict between this Assignment and the Franchise Agreement, the Franchise Agreement shall take precedence and govern.

2. This Assignment will become effective automatically upon the termination or expiration of the Franchise Agreement for any reason. As to all third parties proof of the expiration or termination of the Franchise Agreement shall exist exclusively upon the written declaration of Assignee and Assignee's declaration shall be dispositive and not subject to challenge. Assignor acknowledges that all third parties may rely on this Assignment for the purpose of taking any and all actions to ensure that access to and control of the Media is maintained by Assignee.

UTILIZATION OF THIS ASSIGNMENT SHALL EXIST AT THE SOLE DISCRETION OF ASSIGNEE AND FOR THE SOLE BENEFIT OF ASSIGNEE

Assignor:	**Assignee: Special Spa Franchising, Inc.**
_____	_____
Signature	Signature
_____	_____
Name and Title (please print)	Name and Title (please print)
Dated _____	Dated _____

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Angels Spa Franchise Agreement
EXHIBIT 10
GENERAL RELEASE

GENERAL RELEASE

TO ALL TO WHOM THESE PRESENTS SHALL COME OR MAY CONCERN, KNOW THAT:

_____, as RELEASOR, in consideration of good and valuable consideration received from:

Special Spa Franchising, Inc., as RELEASEE, receipt of which is hereby acknowledged, releases and discharges the RELEASEE, RELEASEE'S heirs, officers, members, agents, executors, administrators, successors and assigns, from all claims, actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, contracts, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity which against the RELEASEE, the RELEASOR, RELEASORS', heirs, executors, administrators, successors and assigns ever had, now have or hereafter can, shall or may, have for, upon, or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this RELEASE. The words "RELEASOR" and "RELEASEE" include all releasors and releasees under this Release. This Release may not be changed orally.

IN WITNESS WHEREOF, the **RELEASOR** has hereunto set RELEASORS' had and seal on the date set forth below.

Releasor:

_____
Signature

_____
Name (please print)

Date _____

NOTARY SIGNATURE, SEAL AND INFORMATION: On _____before me, the undersigned, personally appeared _____ personally known to me or proven to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity/capacities, and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_____
Notary Signature and Seal

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Angels Spa Franchise Agreement
EXHIBIT 11
ACH AUTHORIZATION

AUTOMATED CLEARING HOUSE PAYMENT AUTHORIZATION FORM

Franchisee Information:

Franchisee Name | Business No.

Franchisee Mailing Address (street) | Franchisee Phone No.

Franchisee Mailing Address (city, state, zip)

Contact Name, Address and Phone Number (if different from above)

Franchisee Fax No. | Franchisee Email Address

Bank Account Information:

Bank Name

Bank Mailing Address (street, city, state, zip)

Bank Account No. | [ ] Checking [ ] Savings (check one) | Bank Routing No.

Bank Phone No.

Authorization:

Franchisee hereby authorizes Special Spa Franchising, Inc. ("Franchisor") to initiate debit entries to Franchisee's account with the Bank listed above and Franchisee authorizes the Bank to accept and to debit the amount of such entries to Franchisee's account. Each debit shall be made from time to time in an amount sufficient to cover any fees payable to Franchisor pursuant to any agreement between Franchisor and Franchisee as well as to cover any purchases of goods or services from Franchisor or any affiliate of Franchisor. Franchisee agrees to be bound by the National Automated Clearing House Association (NACHA) rules in the administration of these debit entries. Debit entries will be initiated only as authorized above. This authorization is to remain in full force and effect until Franchisor has received written notification from Franchisee of its termination in such time and in such manner as to afford Franchisor and the Bank a reasonable opportunity to act on it. Franchisee shall notify Franchisor of any changes to any of the information contained in this authorization form at least 30 days before such change becomes effective.

Signature: _____ Date: _____

Name: _____ Federal Tax TD No.: _____

Its: _____

NOTE: FRANCHISEE MUST ATTACH A VOIDED CHECK RELATING TO THE BANK ACCOUNT

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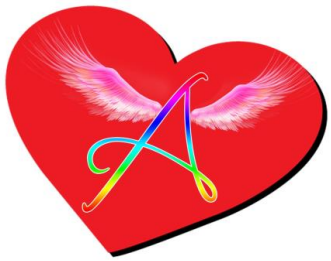
FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT F
DEVELOPMENT AGREEMENT



Special Spa Franchising, Inc.

Angels Spa Development Agreement

_____

Franchisee Name

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ANGELS SPA DEVELOPMENT AGREEMENT

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ANGELS SPA DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into on _____, 20__ ("Effective Date"), by and between Special Spa Franchising, Inc., a California Corporation with a principal place of business located at Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648, (the "Franchisor") and _____(the "Franchisee").

RECITALS

WHEREAS, Franchisor has developed a distinctive and proprietary system (the "System") for the establishment, development and operation of a spa that offers and sells professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other approved products and services (each, a "Franchised Business", "Angels Spa", or "Spa");

WHEREAS, the System and, therefore, each Spa is identified by the Marks (defined below) and distinctive trade dress, service offerings, business formats, equipment, products, supplies, operating procedures, programs, methods, procedures, and marketing and advertising standards, all of which are part of the System and all of which Franchisor may modify from time to time;

WHEREAS, Simultaneous or prior to the execution of this Agreement, Franchisor and Franchisee have entered into a Spa franchise agreement for, among other things, Franchisee's establishment, development and operation of a Spa to be located within a territory located within the Development Area (defined below);

WHEREAS, Franchisee has requested the right to develop and operate multiple Spas to be located with a defined geographical area (the "Development Area") in accordance with a development schedule that must be strictly adhered to, with each Spa within the Development Area being opened and operating utilizing the Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current franchise agreement for Angels Spas (each, a "Franchise Agreement"); and

WHEREAS, Franchisee acknowledges that adherence to the terms of this Agreement, each and every Spa individual unit Franchise Agreement, Franchisor's operations manual, and Franchisor's System standards and specifications, are essential to the operation of all Angels Spas and the System as a whole.

NOW THEREFORE, the parties, in consideration of the mutual undertakings and commitments of each party set forth herein, agree, as follows:

SECTION 1
DEFINITIONS

For purposes of this Agreement, and supplementing the definitions contained in the Recitals, above, the following terms will have the meaning as defined below:

"**Abandonment**" refers to and means the conduct of the Franchisee, including acts of omission as well as commission, indicating the willingness, desire or intent of the Franchisee to discontinue the development and/or operation of the Angels Spas in the Development Area in accordance with the terms of this Agreement.

"**Affiliates**" means individually or collectively, any and all entities controlling, controlled by, or under common ownership with Franchisor.

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"**Corporate Entity**" refers to and means a corporation, limited liability company, partnership or other corporate legal entity that is not an individual person.

"**Development Area**" shall have the meaning defined and set forth in Section 2.1 of this Agreement.

"**Development Period**" shall, respectively, have the meaning defined and set forth in Section 4.4 of this Agreement.

"**Development Schedule**" shall have the meaning defined and set forth in Section 4.4 of this Agreement.

"**Development Spa**" shall have the meaning defined and set forth in Section 2.1 of this Agreement.

"**Effective Date**" shall be the date set forth, defined and referred to in the first paragraph of this Agreement.

"**Franchise Agreement**" refers to and means Franchisor's individual unit Angels Spa Franchise Agreement as designated and determined by Franchisor from time to time.

"**Marks**" means such service marks, trademarks, trade dress, trade names, logos, commercial symbols and all configurations and derivations thereof, as may presently exist, or which may be modified, changed, or acquired by Franchisor or Franchisor's Affiliates, in connection with the operation of Spas.

"**Operations Manual**" refers to and means, individually and collectively, the manual(s) designated by Franchisor and relating to the development and/or operations of Angels Spas including, but not limited to, the policies, procedures and requirements for the development and operation of Angels Spas. The Operations Manual may consist of one of more volumes, handbooks, manuals, written materials, videos, electronic media files, cloud/internet based list-service, intranet, internet based and accessed databases, computer media, email, webinars and other materials as may be modified, added to, replaced or supplemented by Franchisor from time to time in Franchisor's Reasonable Business Judgment, whether by way of supplements, replacement pages, franchise bulletins, or other official pronouncements or means. Subject to Franchisor's modification from time to time and based on Franchisor's Reasonable Business Judgment, the Operations Manual shall, among other things, designate the System Products and Services that must be offered and provided by the Franchised Business and the Spa System Supplies that must be exclusively utilized by the Angels Spa.

"**Owner**" refers to and means collectively, individually and jointly: (a) the officers and directors of Franchisee (including the officers and directors of any general partner of Franchisee) who hold an ownership interest in Franchisee as of the Effective Date; (b) the managing member(s) or manager(s) of Franchisee as of the Effective Date, if franchisee is a limited liability company, and (c) all holders of a 5% or more direct or indirect ownership interest in Franchisee as of the Effective Date and/or of any entity directly or indirectly controlling Franchisee;

"**Spa**" shall have the meaning set forth in the Recitals and shall refer to all Spas operating under the System and Marks, whether owned by us or any Affiliate, or licensed or franchised by us or any Affiliate.

"**Spa Location(s)**" refers to and means the fixed locations from which Angels Spas are established, operated and managed.

"**Angels Spa(s)**" shall have the meaning defined in the Recitals section of this Agreement and, without limitation to the Recitals section definition of "Angels Spas", shall further include, refer to and mean:

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every business and all businesses owned and/or operated by Franchisor, Franchisor's affiliates and/or authorized franchisee(s) that utilize and/or is/are required to utilize the System and/or Licensed Marks including, but not limited to, the Franchised Business.

"**System**" means Franchisor's distinct and proprietary business format for the operation of a Spa that offers and sells professional, personal wellbeing and spa services including facial, nail, therapeutic massage, body and skincare services and treatments, and other approved products and services, and that includes the methods, proprietary products, services, procedures, signs, designs, layouts, equipment, standards, specifications, Marks, and Franchisor's operations manual (including the contents thereof), marketing and advertising methods, vendor lists, trade secrets and confidential information as the same may be modified, amended or replaced from time to time hereafter by Franchisor.

"**Term**" refers to and means the period of time set forth and defined in Section 3.1 of this Agreement.

"**Transfer**" refers to and means and shall include, without limitation, the following, whether voluntary or involuntary, conditional or unconditional, and/or direct or indirect: (a) an assignment, sale, gift, transfer, pledge or sub-franchise; (b) the grant of a mortgage, charge, lien or security interest, including, without limitation, the grant of a collateral assignment; (c) a merger, consolidation, exchange of shares or other ownership interests, issuance of additional ownership interests or securities representing or potentially representing ownership interests, or redemption of ownership interests; and (d) a sale or exchange of voting interests or securities convertible to voting interests, or an agreement granting the right to exercise or control the exercise of the voting rights of any holder of ownership interests or to control the operations or affairs of Franchisee.

SECTION 2
DEVELOPMENT RIGHTS

2.1 DEVELOPMENT GRANT AND DEVELOPMENT OBLIGATIONS

Franchisor grants to Franchisee the right, and Franchisee accepts the right and undertakes the obligation to develop and operate Angels Spas, each to be developed, opened and operated by Franchisee within the Development Area, provided that Franchisee develops, opens and operates such Spas (each, a "Development Spa") in strict accordance with the Development Schedule set forth in this Agreement, the terms and provisions of this Agreement, and, accordance with the terms and provisions of each respective Franchise Agreement.

The Development Area is and shall constitute the following geographic area:

Development Area
[Enter geographic description of Development Area – If nothing is entered there is no Development Area]

Franchisee agrees that Franchise must: (a) open and commence the operations of each new Development Spa in accordance with the Development Schedule for each respective Development Period; and (b) maintain in operation the minimum cumulative number of Development Spas in accordance with the Development Schedule for each respective Development Period. Franchisee agrees that *"time is of the essence"* with respect to Franchisee's development obligations under this Agreement, and that Franchisee's

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failure to comply with the Development Schedule is grounds for immediate termination of this Agreement and, any future development rights granted under this Agreement.

During the Term of this Agreement, provided that Franchisee is in compliance with the terms and provisions of this Agreement including, but not limited to, the Development Schedule, and each respective Franchise Agreement, Franchisor will not open, operate, or license any third party the right to open or operate Angels Spas within the Development Area. Franchisee agrees that the designated territory for each Development Spa shall be determined by the Franchise Agreement for each respective Development Spas and that, in aggregate, the operating territories for Franchisee's Development Spas may be smaller than the Development Area.

2.2 LIMITED EXCLUSIVITY AND RESERVED RIGHTS

Except as provided in Section 2.1 of this Agreement, Franchisor and Franchisee acknowledge and agree that the rights granted in this Agreement are non-exclusive and that Franchisor, on Franchisor's own behalf and on behalf of Franchisor's affiliates, successors and assigns, reserves all other rights not expressly granted to Franchisee in this Agreement.

2.3 PERSONAL RIGHTS

Franchisee agrees that Franchisee does not and shall not have or possess the right to franchise, subfranchise, license, sublicense and/or otherwise Transfer Franchisee's rights under this Agreement. The rights and privileges granted and conveyed to the Franchisee in this Agreement may not be Transferred, and, among other things, relate only to Development Area and subject to the terms and conditions of each respective Franchise Agreement for each Development Spa.

SECTION 3
TERM AND TERMINATION

3.1 TERM

This Agreement will be for a term that commences as of the Effective Date and, unless earlier terminated by Franchisor, will automatically end on the earlier of (a) the last day of the calendar month that the final Spa is required to be opened and operating under the Development Schedule, or (b) the day the final Spa is open (the "Term"). Upon expiration or termination of this Agreement for any reason, Franchisee will not have any rights within the Development Area other than territorial rights that may have been granted to Franchisee and maintained by Franchisee pursuant to the terms of any and/or each respective Franchise Agreement. The Term may not be renewed or extended.

3.2 TERMINATION BY FRANCHISOR

Franchisor will have the right, at Franchisor's option, to terminate this Agreement and all rights granted to Franchisee hereunder, without affording Franchisee with any opportunity to cure such default, effective upon written notice to Franchisee, or automatically upon the occurrence of any of the following events: (a) if Franchisee Abandons Franchisee's obligations under this Agreement; (b) if Franchisee for four (4) consecutive months, or any shorter period that indicates an intent by Franchisee to discontinue Franchisee's development of Spas within the Development Area; (c) if Franchisee becomes insolvent or is adjudicated bankrupt, or if any action is taken by Franchisee, or by others against the Franchisee, under any insolvency, bankruptcy or reorganization act, or if Franchisee makes an assignment for the benefit or creditors or a receiver is appointed by the Franchisee; (d) if Franchisee fails to meet its development obligations under the Development Schedule for any single Development Period including, but not limited to, Franchisee's failure to establish, open and/or maintain the cumulative number of Angels Spas in accordance with Development Schedule; and/or (e) in the event that any one Franchise Agreement is terminated respecting any Development Spa and/or any other franchise agreement between Franchisor and Franchisee.

SECTION 4

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DEVELOPMENT AREA FEE, INITIAL FEES AND DEVELOPMENT SCHEDULE

4.1 DEVELOPMENT AREA FEE

In exchange for the rights set forth and granted pursuant to the terms of this Agreement, upon execution of this Agreement, Franchisee shall pay to Franchisor a Development Area fee of **[_____($_____)]** Dollars (the "Development Area Fee"). The Development Area Fee is not refundable under any circumstance.

Franchisee agrees that the Development Area Fee is not a franchise fee and, that at the time of signing each respective Franchise Agreement, Franchisee shall pay to Franchisor an initial franchise fee and all other fees in accordance with the terms and conditions of each respective Franchise Agreement, except that the initial franchise fee shall conform to the amounts set forth in Section 4.2 of this Agreement. If the then-current standard Franchise Agreement to be signed by the Franchisee respecting a Development Spa to be established and operated by Franchisee specifies an initial franchise fee that is greater than or different from the initial franchise fee specified in Section 4.2, below, then the amount of the initial franchise fee as specified in Section 4.2 shall govern. However, all other terms and provisions of each respective Franchise Agreement, as to each Respective Development Spa, shall take precedence and govern.

4.2 INITIAL FRANCHISE FEES

The initial franchise fee for each Development Spa, to be developed and operated pursuant to the terms and conditions of each respective Franchise Agreement, shall be comprised of the following fixed sum:

Initial Franchise Fee (First Development Spa)
$29,000, payable and due upon execution of the applicable Franchise Agreement for Franchisee's first Development Spa. This initial franchise fee is separate from and in addition to the Development Area Fee set forth in Section 4.1 of this Agreement.

Initial Franchise Fee (All Other Development Spas Authorized by this Agreement)
Provided that Franchisee is not in default of the terms of this Agreement (including but not limited to the Development Schedule set forth below) and that Franchisee is not in default of any Franchise Agreement or other agreement between Franchisor and Franchisee, the initial franchise fee for all other Development Spas, shall be $20,000 for each Development Spa, payable at the time of signing the Franchise Agreement for each Development Spa.

4.3 PAYMENT OF INITIAL FRANCHISE FEES AND FRANCHISE AGREEMENTS

The applicable initial franchise fee as set forth in Section 4.2 of this Agreement for the first Development Spa shall be payable as set forth in accordance with the terms of the Franchise Agreement for Franchisee's first Development Spa. The applicable initial franchise fees, if any, as may be set forth in Section 4.2 of this Agreement for all other Development Spas authorized by this Agreement, shall be paid in such amounts as set forth in Section 4.2 of this Agreement at the time of signing the franchise agreement for each respective Development Spa.

Either prior to or simultaneous to the execution of this Agreement, Franchisee has signed the Franchise Agreement for Franchisee's first Development Spa. Franchisee's second Development Spa and all Development Spas thereafter, respectively, are to be developed and operated by Franchisee pursuant to the terms and conditions of Franchisor's then current Franchise Agreement which Franchisee must sign, on or

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before the earlier of: (a) The date Franchisee (subject to Franchisor's approval of the Spa Location) executes a lease for the Spa Location for each respective Development Spa; (b) The date Franchisee (subject to Franchisor's approval of the Spa Location) enters into a purchase agreement for the real estate for the Spa Location for each respective Development Spa; or (c) Six months prior to the date that each respective Development Spa must be open and in operation pursuant to the Development Schedule.

4.4 DEVELOPMENT SCHEDULE

Franchisee agrees that to induce Franchisor to enter into this Agreement, Franchisee has represented to develop, establish and operate Development Spas in accordance with a strict development schedule. Franchisee agrees that, as to the Development Spas, Franchisee shall meet the following development schedule and requirements as to the number of Development Spas that must be developed and established by Franchisee within the Development Area and in accordance with each respective Development Period (the "Development Schedule"):

Aggregate Number of Development Spas to be Developed
[[Enter number or Development Spas]] Aggregate number of Development Spas that must be established, opened and operating by Franchisee in the Development Area pursuant to the terms of this Agreement and each respective Franchise Agreement.

Development Schedule		
Development Period	Number of Development Spas to be established, developed and opened by Franchisee within the Development Area for each respective Development Period:	Spas that must be owned by Franchise, open and continuously operating (in accordance with each respective Franchise Agreement) within the Development Area during and within each respective Development Period as of the last day of the calendar month for the respective Development Period:
Development Period 1 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 2 Expires [___] Months from Effective Date	[__]	[__]
Development Period 3 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 4 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 5 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 6 (Expires [___] Months from Effective Date)	[__]	[__]

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Development Period 7 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 8 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 9 (Expires [___] Months from Effective Date)	[__]	[__]
Development Period 10 (Expires [___] Months from Effective Date)	[__]	[__]

4.5 REASONABLENESS OF DEVELOPMENT SCHEDULE

Franchisee agrees and represents that it has conducted its own independent investigation and analysis of the prospects for the establishment of Angels Spas within the Development Area, that Franchisee approves of the Development Schedule as being reasonable and viable, and that Franchisee recognizes that failure to achieve the results described in the Development Schedule will constitute a material breach of this Agreement with time being of the essence.

SECTION 5
OTHER OBLIGATIONS OF FRANCHISEE

5.1 EXECUTION OF FRANCHISE AGREEMENTS

For each Angels Spa owned, developed and opened for business by the Franchisee in the Development Area, Franchisee must execute Franchisor's then-current standard Franchise Agreement. A then current standard Franchise Agreement must be executed by the Franchisee for each and each Development Spa on or before the earlier of: (a) the date Franchisee (subject to Franchisor's approval of the Spa Location) executes a lease for the Spa Location for each respective Development Spa; (b) the date Franchisee (subject to Franchisor's approval of the Spa Location) enters into a purchase agreement for the real estate for the Spa Location for each respective Development Spa; or (c) Six months prior to the date that each respective Development Spa must be open and in operation pursuant to the Development Schedule.

5.2 ROYALTY FEES AND OTHER FRANCHISE AGREEMENT FEES ACKNOWLEDGMENT

Franchisee agrees that pursuant to the terms of each respective Franchise Agreement respecting and/or concerning the Development Area and/or this Agreement, that nothing contained in this Agreement shall obviate and/or reduce Franchisees obligations as set forth in each respective Franchise Agreement including, without limitation, Franchisees obligations, respectively, to pay royalty and all other fees in accordance with each respective Franchise Agreement. Nothing contained in this Agreement shall modify, reduce or mitigate Franchisee's obligations to Franchisor. The only fee and right contained in the Franchise Agreement that is modified by this Agreement is the fixed one-time initial franchise fee paid by Franchisee to Franchisor at the time of signing the Franchise Agreement, as such initial franchise fee is set forth and defined in Section 4.2 of this Agreement as to the Development Spas.

5.3 MODIFICATIONS TO FRANCHISE AGREEMENT

Franchisee agrees that what constitutes Franchisor's then-current Franchise Agreement shall be determined by Franchisor, in Franchisor's exclusive discretion and that, among other things, the Franchise Agreement may be modified from time to time by Franchisor and that reasonable modification and amendments to the Franchise Agreement will not alter Franchisee's obligations under this Agreement.

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5.4 COMPLIANCE WITH FRANCHISE AGREEMENTS

Franchisee will operate the Development Spas and all other Angels Spas in strict compliance the terms and conditions of each respective Franchise Agreement.

5.5 SITE SELECTION

Franchisee will be solely responsible for selecting the site(s) for the Franchisee's Spa Locations. In accordance with the terms and conditions of each respective Franchise Agreement, Franchisee must obtain Franchisor's prior written approval as to each potential Spa Location selected by Franchisee. Franchisee will retain an experienced commercial real estate broker or salesperson who has sufficient experience in locating Spa sites to locate, acquire, purchase or lease the site for the Franchisee's Development Spas. Accordingly, no provision of this Agreement will be construed or interpreted to impose any obligation upon Franchisor to locate a site for the Development Spas, to assist Franchisee in the selection of a suitable site for the Development Spas, or to provide any assistance to the Franchisee in the purchase or lease of the site for the Development Spas.

5.6 SITE SELECTION CRITERIA

Franchisee will not lease, purchase or otherwise acquire a Spa Locations for the Development Spas until such information as Franchisor may require regarding the proposed site has been provided to Franchisor by Franchisee and has been approved by Franchisor. Information requested by Franchisor may include, without limitation, information regarding the proposed Spa Location as to accessibility, visibility, potential traffic flows, lease terms and other demographic information. Franchisee shall not enter into any lease or purchase agreement with respect to any proposed Spa Location until Franchisor has approved the site.

SECTION 6
TRANSFER OF INTEREST

6.1 BY FRANCHISOR

At all times, Franchisor possesses and maintains the sole and absolute right to transfer and/or assign Franchisor's rights and obligations under this Agreement, in whole and/or in part (for any purpose and in any form of transaction as may be designated and/or elected by Franchisor, in Franchisor's sole discretion) to any person, entity, Corporate Entity and/or third-party without the consent of Franchisee and without the approval of Franchisee.

6.2 BY FRANCHISEE

Franchisee shall not Transfer and/or assign this Agreement without the express written consent of Franchisor which Franchisor may withhold in Franchisor's sole discretion and Franchisor's Reasonable Business Judgment. If Franchisee is a Corporate Entity the Owners of Franchisee shall not Transfer their ownership and/or equity interests in Franchisee without the express written consent of Franchisor which Franchisor may withhold in Franchisor's sole discretion and Franchisor's Reasonable Business Judgment. Any Transfer and/or assignment in violation of the foregoing shall constitute a material default of this Agreement and shall result in the immediate and automatic termination of this Agreement.

SECTION 7
ENFORCEMENT AND CONSTRUCTION

7.1 SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS

(1) Except as expressly provided to the contrary in this Agreement, Franchisor and Franchisee acknowledge and agree that each term and condition of this Agreement shall be interpreted or otherwise construed to be independent of each other and severable. Although each term and condition of this Agreement are considered by the parties to be reasonable and intended to be enforceable, if any such term and condition of this Agreement is found by a court of competent

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jurisdiction, agency, or other governmental agency to be unenforceable as written or otherwise, then such term and condition shall be modified, rewritten, interpreted, or "blue-lined" to include as much of its nature and scope as will render it enforceable. If such term and condition cannot be so modified, rewritten, interpreted, or "blue-lined" in any respect, then it will not be given effect and severed from this Agreement, and the remainder of this Agreement shall be interpreted, construed and enforced as if such term and condition was not included in this Agreement.

(2) If any applicable and binding law or rule requires a greater prior notice of the termination of this Agreement than is required in this Agreement, or the taking of some other action not required by this Agreement, or if under any applicable and binding law or rule, any term and condition of this Agreement, or any specification, standard, or operating procedure Franchisor prescribes is invalid or unenforceable, then the greater prior notice and/or other action required by law or rule shall be substituted for the comparable provisions, and Franchisor has the right, in its sole discretion, to modify the invalid or unenforceable term and condition, specification, standard, or operating procedure to the extent required to be valid and enforceable. Franchisee agrees to be bound by any such substituted and/or modified term and condition of this Agreement imposing the maximum duty permitted by law that is prescribed within the terms of any provision of this Agreement as though it were originally and separately articulated in, and made a part of, this Agreement as of the Effective Date and/or any specification, standard or operating procedure Franchisor prescribes, which may result from striking from any terms and conditions, specifications, standards, or operating procedures, and any portion or portions thereof, a court may hold to be unenforceable or from reducing the scope of any promise or covenant to the extent required to comply with a court order. Modifications to this Agreement shall be effective only in those jurisdictions in which such terms and conditions, specifications, standards, or operating procedures are found to be unenforceable, unless Franchisor elects to give them greater applicability, in which case, this Agreement shall be enforced as originally made in all other jurisdictions.

7.2 WAIVER OF OBLIGATIONS

No delay, waiver, omission, or forbearance on the part of Franchisor to enforce any term and condition of this Agreement or exercise any of Franchisor's rights, options, or powers under this Agreement constitutes a waiver by Franchisor to enforce any other term and condition of this Agreement or exercise any of Franchisor's other rights, options, or powers under this Agreement. No such delay, waiver, omission, or forbearance shall constitute a waiver by Franchisor to subsequently enforce such term and condition of this Agreement or subsequently exercise such right, option, or power. Acceptance by Franchisor of any payments, fees, charges, or other amount from Franchisee payable to Franchisor pursuant to this Agreement shall not constitute a waiver or acceptance of Franchisee's default or breach of this Agreement or otherwise a waiver of any term and condition of this Agreement, and Franchisor reserves the right to pursue any and all additional remedies set forth in this Agreement, at law, or in equity. Franchisor shall likewise not be deemed to have waived or impaired any term and condition, right, option or power set forth in this Agreement by virtue of any custom or practice of the parties at variance with the terms and conditions of this Agreement or Franchisor's insistence upon Franchisee's strict compliance with Franchisee's obligations, including any mandatory specification, standard or operating procedure. No waiver by Franchisor of any term and condition of this Agreement shall be valid unless in writing and signed by Franchisor.

7.3 SPECIFIC PERFORMANCE AND INJUNCTIVE RELIEF

Nothing in this Agreement bars Franchisor's right to obtain specific performance of the provisions of this Agreement and injunctive relief under legal and/or equity rules against threatened conduct that will cause damages or loss to it, the Licensed Marks or the System.

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7.4 RIGHTS OF PARTIES ARE CUMULATIVE

The rights of Franchisor and Franchisee under this Agreement are cumulative and no exercise or enforcement by a party of any right or remedy precludes the exercise or enforcement by that party of any other right or remedy which Franchisor or Franchisee is entitled by law to enforce.

7.5 GOVERNING LAW

THIS AGREEMENT AND THE RELATIONSHIP BETWEEN THE PARTIES HERETO SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, EXCEPT THAT ITS CHOICE OF LAW AND CONFLICTS OF LAWS RULES SHALL NOT APPLY AND ANY FRANCHISE REGISTRATION, DISCLOSURE, RELATIONSHIP OR SIMILAR STATUTE WHICH MAY BE ADOPTED BY THE STATE OF CALIFORNIA SHALL NOT APPLY UNLESS ITS JURISDICTIONAL REQUIREMENTS ARE MET INDEPENDENTLY WITHOUT REFERENCE TO THIS PARAGRAPH.

7.6 CHOICE OF LAW, NON-BINDING MEDIATION, BINDING ARBITRATION, AND CONSENT TO JURISDICTION

(1) **Non-Binding Mediation** – Franchisee and Franchisor agree that before either party may bring any action, dispute and/or controversy arising from or related to this Agreement and/or the franchise relationship between Franchisor and Franchisee in arbitration, the parties must first mediate the dispute through non-binding mediation. Mediation shall be non-binding and shall be conducted by the American Arbitration Association in accordance with the AAA's then current rules for the mediation of commercial disputes. All mediation proceedings shall be conducted in Orange County, California or, if a mediator is not available in Orange County, California then at a suitable location selected by the mediator that is located closest to Orange County, California. Mediation shall be conducted by one mediator and if Franchisor and Franchise cannot agree on a mediator then the mediator shall be selected by the American Arbitration Association. Mediation shall be conducted within forty-five (45) days of the American Arbitration Association's designation and/or acknowledgment of the selected mediator or such longer period as may be agreed to between Franchisor and Franchisee in writing signed by each respective party. Franchisor and Franchisee shall each be responsible for their own costs associated with mediation and Franchisor and Franchisee shall each be responsible for and shall each pay fifty (50%) percent of the mediator's fee and the American Arbitration Association's mediation fees.

Notwithstanding the preceding paragraph, Franchisor and Franchisee agree this Sub-Section 7.6(1) and, thereby, the prerequisite requirement of non-binding mediation, shall not, at Franchisor's election, apply to: (a) any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief; and/or (b) claims by either Franchisor or Franchisee under this Agreement that relates to either Franchisor's or Franchisee's failure to pay fees or other monetary obligations due under this Agreement.

(2) **Arbitration** – Subject to the prerequisite requirements of non-binding mediation as set forth in Sub-Section 7.6(1), and, except, at Franchisor's election, as to any claims or disputes related to or concerning a breach of this Agreement by Franchisee that, under the terms of this Agreement, may entitle Franchisor to the award of injunctive relief, Franchisor and Franchisee agree that all disputes, controversies, and claims, arising from and/or related to this Agreement, the relationship between Franchisor and Franchisee, the System, and/or the validity of this Agreement and/or the Ancillary Agreements, shall be submitted, on demand of either Franchisor or Franchisee, to the American Arbitration Association for binding arbitration. Arbitration shall be conducted by one (1) arbitrator in accordance with the American Arbitration Association's then current rules for commercial disputes, except as may be

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otherwise required in this Article 18.G. All arbitration proceedings shall be conducted in Orange County, California or, if suitable American Arbitration Association facilities are not available in Orange County, California then at a suitable American Arbitration Association location selected by the arbitrator that is located closest to Orange County, California. In connection with binding arbitration, Franchisor and Franchisee agree that:

(a) All matters relating to arbitration, will be governed by the United States Federal Arbitration Act, except as expressly or otherwise set forth in this Agreement;

(b) The arbitration hearing shall be conducted within one hundred and eighty (180) days of the demand for arbitration;

(c) The arbitrator shall render written findings of fact and conclusions of law;

(d) Except as may be otherwise required and/or prohibited by this Agreement including, but not limited to Sections 7.8, 7.9, 7.13, 7.14, 7.17, and 7.23. of this Agreement, the arbitrator has the right to award or include in his or her award any relief that he or she determines to be proper, including monetary damages, interest on unpaid sums, specific performance, injunctive relief, attorneys' fees, and costs and expenses as allowable under this Agreement. Notwithstanding the foregoing, under no circumstance shall the Arbitrator be authorized to award or declare the Licensed Marks to be generic or invalid;

(e) They shall each be bound to the limitations periods set forth in Section 7.8 of this Agreement and that, in any arbitration proceeding, Franchisor and Franchisee must each timely submit, within the same arbitration proceeding, any claim that would constitute a compulsory counterclaim as such claims are defined and set forth under Rule 13 of the United States Federal Rules of Civil Procedure. Any claim that is not submitted or filed as required shall be forever barred;

(f) Judgment upon the arbitrator's award may be entered in any court of competent jurisdiction; and

(g) Arbitration and/or any arbitration award must be conducted in accordance with the terms of this Agreement including, but not limited to, the requirements set forth in this Section 7.

(3) Consent to Jurisdiction and Venue – Subject to the non-binding mediation and arbitration provisions set forth in this Section 7.6, Franchisor and Franchisee agree that any judicial action or legal proceeding must be brought in a court of competent jurisdiction located within California and within Orange County or the county closest to Orange County. Franchisor and Franchisee do hereby irrevocably consent to and waive any objection to the such jurisdiction or venue. Without limitation to the foregoing and notwithstanding same, Franchisor and Franchisee agree that Franchisor, at Franchisor's election, may bring any legal action or proceeding seeking a temporary restraining order, preliminary injunction, or any action seeking Franchisor's enforcement of an arbitration award or any judicial decision in the federal or state court located in the county and state where either the Franchised Business was located or where Franchisee resides.

7.7 VARIANCES

FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR HAS AND MAY AT DIFFERENT TIMES, IN FRANCHISOR'S ABSOLUTE AND SOLE DISCRETION, APPROVE EXCEPTIONS OR CHANGES FROM THE UNIFORM STANDARDS OF THE SYSTEM, WHICH FRANCHISOR DEEMS

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DESIRABLE OR NECESSARY UNDER PARTICULAR CIRCUMSTANCES. FRANCHISEE UNDERSTANDS THAT IT HAS NO RIGHT TO OBJECT TO OR AUTOMATICALLY OBTAIN SUCH VARIANCES, AND ANY EXCEPTION OR CHANGE MUST BE APPROVED IN ADVANCE BY FRANCHISOR IN WRITING. FRANCHISEE UNDERSTANDS THAT EXISTING FRANCHISEES MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENTS AND THAT THE RIGHTS AND OBLIGATIONS OF EXISTING FRANCHISEES MAY DIFFER MATERIALLY FROM THIS AGREEMENT.

7.8 LIMITATIONS OF CLAIMS

ANY AND ALL CLAIMS AND/OR CAUSES OF ACTIONS ARISING OUT OF, OR RELATING TO, THIS AGREEMENT, OR THE RELATIONSHIP BETWEEN FRANCHISEE AND FRANCHISOR RESULTING FROM THIS AGREEMENT, SHALL BE BARRED UNLESS SUCH CLAIM AND/OR CAUSE OF ACTION IS COMMENCED WITHIN TWO (2) YEARS FROM THE DATE ON WHICH THE ACT OR EVENT GIVING RISE TO THE CLAIM OCCURRED OR ONE (1) YEAR FROM THE DATE ON WHICH FRANCHISEE OR FRANCHISOR KNEW, OR SHOULD HAVE KNOWN, IN THE EXERCISE OF REASONABLE DILIGENCE, OF THE FACTS GIVING RISE TO SUCH CLAIM AND/OR CAUSE OF ACTION, WHICHEVER OCCURS FIRST IN TIME.

7.9 WAIVER OF PUNITIVE DAMAGES

FRANCHISOR AND FRANCHISEE HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM FOR ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL OR SPECULATIVE DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EXCEPT AS OTHERWISE PROVIDED HEREIN, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT; PROVIDED THAT SUCH WAIVER SHALL NOT APPLY TO ANY CLAIM (A) ALLOWED BY FRANCHISOR OR FRANCHISEE FOR ATTORNEY'S FEES OR COSTS AND EXPENSES UNDER THIS AGREEMENT; AND/OR (B) FOR LOST PROFITS BY FRANCHISOR OR FRANCHISEE AND THE OWNERS UPON OR ARISING OUT OF THE TERMINATION OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL, CONSEQUENTIAL OR OTHER SIMILAR DAMAGES SHALL CONTINUE IN FULL FORCE AND EFFECT.

7.10 WAIVER OF JURY TRIAL

FRANCHISOR AND FRANCHISEE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER A LEGAL ACTION, IN MEDIATION, OR IN ARBITRATION.

7.11 BINDING EFFECT

This Agreement is binding upon the parties of this Agreement and their respective executors, administrators, heirs, assigns and successors in interest, and shall not be modified except by written agreement signed by both Franchisee and Franchisor.

7.12 COMPLETE AGREEMENT

This Agreement, the documents referred to in this Agreement constitutes the entire, full and complete Agreement between Franchisor and Franchisee concerning the subject matter of this Agreement and supersedes all prior related agreements between Franchisor and Franchisee. Notwithstanding the foregoing, the disclosure document (as registered with certain states, required by federal law or otherwise and provided to Franchisee or its representative) shall not be deemed to constitute a part of this Agreement nor as a separate, binding agreement concerning the subject matter hereof. Nothing in the Agreement is intended to

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disclaim the representations we made in the franchise disclosure document that we furnished to you.

7.13 ATTORNEY FEES AND EXPENSES

Franchisee agrees that in the event that an arbitrator in any arbitration proceeding and/or, a court of competent jurisdiction shall issue an award, judgment, decision and/or order finding, holding and/or declaring Franchisee's breach of this Agreement than Franchisor shall also be entitled to the recovery of all reasonable attorney fees, costs and expenses associated with and/or related to such arbitration and/or litigation. Said fees, costs and expenses shall include, but not be limited to, attorney fees, arbitration fees, arbitrator fees, deposition expenses, expert witness fees and filing fees.

7.14 WAIVER OF CLASS-ACTION:
INDIVIDUAL DISPUTE RESOLUTION AND NO MULTI-PARTY ACTIONS

FRANCHISOR AND FRANCHISEE AGREE THAT ALL PROCEEDINGS AND/OR LEGAL ACTIONS ARISING OUT OF OR RELATED TO THIS AGREEMENT AND/OR THE OFFER AND SALE OF THE ANGELS SPA FRANCHISE FROM FRANCHISOR TO FRANCHISEE, WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND NOT A CLASS-WIDE BASIS, AND, THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S OWNERS, SPOUSES AND/OR GUARANTORS AND FRANCHISOR AND/OR FRANCHISOR'S AFFILIATES, OFFICERS, DIRECTORS AND/OR EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

7.15 ACCEPTANCE BY FRANCHISOR

This Agreement will not be binding on Franchisor unless and until an authorized officer of Franchisor has signed it.

7.16 OPPORTUNITY FOR REVIEW BY FRANCHISEE'S ADVISORS

Franchisee acknowledges and represents that prior to the signing of this Agreement that Franchisor recommended and that Franchisee had the opportunity to have this Agreement and the Franchise Disclosure Document reviewed by Franchisee's lawyer, accountant and other business advisors.

7.17 NO PERSONAL LIABILITY BY FRANCHISOR'S EMPLOYEES, OFFICERS AND/OR AUTHORIZED AGENTS

Franchisee agrees that the fulfillment of any of Franchisor's obligations written in this Agreement or based on any oral communications ruled to be binding in a court of law shall be Franchisor's sole obligation and none of Franchisor's employees, officers and/or authorized agents shall be personally liable to Franchisee for any reason. In addition to the foregoing, Franchisor and Franchisee are not joint employers.

7.18 NON-UNIFORM AGREEMENTS

Franchisee acknowledges that Franchisor makes no representations or warranties that all other agreements with Special Spa Franchising, Inc. franchisees entered into before or after the Effective Date do or will contain terms substantially similar to those contained in this Agreement. Franchisee agrees that Franchisor may waive or modify comparable provisions of other franchise agreements to other System franchisees in a non-uniform manner.

7.19 NO RIGHT TO OFFSET

Franchisee shall not, on grounds of the alleged nonperformance, material breach, or default by Franchisor of this Agreement, any other agreement between Franchisor and Franchisee, or for any other reason, withhold any payment, fee, or any other amount payable by Franchise to Franchisor pursuant to this Agreement, including, without limitation, the payment of the Royalty Fee and Advertising Contributions, or any other payment obligation by Franchisee to Franchisor. Franchisee shall not have the right to offset or withhold any liquidated or unliquidated amount allegedly due to Franchisee from Franchisor against any

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payment, fee, or any other amount payable to Franchisor pursuant to this Agreement or any other payment obligation by Franchisee to Franchisor.

7.20 HEADINGS

The headings and subheadings in this Agreement are strictly for convenience and reference only, and they shall not limit, expand, or otherwise affect the interpretation and construction of the terms and conditions of this Agreement.

7.21 AUTHORITY TO EXECUTE AND BIND

Each party acknowledges, warrants and represents that it has all requisite power and authority to enter into this Agreement. The execution, delivery, and performance of this Agreement has been duly and lawfully authorized by all necessary actions of each party, and the signatory to this Agreement for each party has been duly and lawfully authorized to execute this Agreement for and on behalf of the party for whom each signatory has signed.

7.22 COUNTERPARTS; ELECTRONIC SIGNATURES; MULTIPLE COPIES

This Agreement may be executed in counterparts, all of which counterparts shall be deemed originals and taken together shall constitute a single agreement, and the signature pages of which may be detached from the several counterparts and attached to a single copy of this Agreement to physically form a single document.

7.23 JOINT AND SEVERAL LIABILITY

If Franchisee consists of more than one person or entity, then their liability under this Agreement shall be deemed joint and several.

7.24 RECITALS AND REPRESENTATIONS

The parties acknowledge and agree that the recitals and representations contained on the first page of this Agreement are true and accurate, shall constitute a material part of this Agreement, and are hereby fully incorporated into the terms and conditions of this Agreement.

SECTION 8
NOTICES

All written notices and reports permitted or required to be delivered by this Agreement or the Operations Manual shall be deemed so delivered, at the time delivered by hand, one (1) business day after being placed in the hands of a national commercial courier service for overnight delivery (properly addressed and with tracking confirmation), or three (3) business days after placed in the U.S. mail by registered or certified Mail, postage prepaid, and addressed to the party to be notified at its most current principal business address of which the notifying party has been notified. Reports requiring delivery shall be delivered by certified U.S. mail and electronically, as specified by Franchisor. The addresses for the parties set forth in the initial paragraph of this Agreement shall be used unless and until a different address has been designated by written notice to the other party. Any notice required under this Agreement shall not be deemed effective or given by Franchisee to Franchisor unless given in strict compliance with this Agreement.

In all cases where Franchisor's prior approval is required and no other method or timing for obtaining such approval is prescribed, Franchisee shall request such approval in writing, and Franchisor shall respond within ten (10) business days after receiving Franchisee's written request and all supporting documentation, provided if Franchisor does not respond, such request shall be deemed unapproved. Franchisor's consent to, or approval of, any act or request by Franchisee shall be effective only to the extent specifically stated, and Franchisor's consent or approval shall not be deemed to waive, or render unnecessary, consent or approval of any other subsequent similar act or request.

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IN WITNESS WHEREOF, the parties have executed, sealed and delivered this Agreement as of the Effective Date set forth in the first paragraph of this Agreement.

Franchisor:
Special Spa Franchising, Inc.

By: _____

_____
Title

Franchisee:

_____
Franchisee Signature

_____
Name (please print)

_____
Franchisee Signature

_____
Name (please print)

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FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT G
LIST OF FRANCHISEES

There are no Franchisees to disclose in this exhibit.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT H
LIST OF FRANCHISEES
THAT HAVE LEFT THE SYSTEM

There are no Franchisees to disclose in this exhibit.

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT I
STATE SPECIFIC ADDENDA

CALIFORNIA DISCLOSURE

CALIFORNIA ADDENDUM TO

Special Spa Franchising, Inc. Franchise Disclosure Document

a. 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.

b. The franchisor, any person or franchise broker in Item 2 of the FDD is (or not) 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. 78a *et seq.*, suspending or expelling such persons from membership in such association or exchange.

c. California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

d. 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.).

e. The franchise agreement contains a covenant not to compete, which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

f. The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

g. The franchise agreement requires binding arbitration. The arbitration will occur in California 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.

h. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professional 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.

i. The franchise agreement requires application of the laws of the State of California.

j. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

k. You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Sections 31000 Through 31516). Business and Professions Code Section 20010 Voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043.

l. ITEM 6: The highest interest rate allowed by law in the State of California is ten (10%) percent.

m. ITEM 17: California Business and Professions Code Sections 2000 to 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

n. The following URL address is for the franchisor's website: angelspausa.com.

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OUR WEBSITE 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.

o. This Addendum shall be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law are met independently with respect to such provision, without reference to this Addendum to the Franchise Disclosure Document.

p. The Department of Business Oversight requires that the franchisor defer the collection of all initial fees from California franchisees until the franchisor has completed all its pre-opening obligations and franchisee is open for business.

Connecticut Disclosure

CONNECTICUT ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

Item 3, "Litigation", Item 3 is hereby supplemented by the addition of the following statements incorporated at the beginning of the Item 3:

a. Neither the Franchisor nor any person identified in Items 1 or 2 above has any administrative, criminal or material civil action (or a significant number of civil actions irrespective of materiality) pending against him alleging a violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations.

b. Neither the Franchisor nor any other person identified in Items 1 or 2 above has during the ten (10) year period immediately preceding the date of this Disclosure Document, been convicted of a felony or pleaded nolo contendere to a felony charge or been held liable in any civil action by final judgment, or been the subject of any material complaint or other legal proceeding where a felony, civil action, complaint or other legal proceeding involved violation of any franchise law, fraud, embezzlement, fraudulent conversion, restraint of trade, unfair or deceptive practices, business opportunity law, securities law, misappropriation of property or comparable allegations or which was brought by a present or former purchaser-investor or which involves or involved the business opportunity relationship.

c. Neither the Franchisor nor any person identified in Items 1 or 2 above is subject to any currently effective injunctive or restrictive order or decree relating to the franchise, or under any federal, state or Canadian franchise, securities, business opportunity, antitrust, trade regulation or trade practice law as a result of concluded or pending action or proceeding brought by a public agency, or is a party to a proceeding currently pending in which an order is sought, relating to or affecting business opportunity activities or the seller-purchaser-investor relationship, or involving fraud, including but not limited to, a violation of any business opportunity law, franchise law, securities law or unfair or deceptive practices law, embezzlement, fraudulent conversion, misappropriation of property or restraint of trade.

d. Neither Company nor any person identified in ITEM 2 above 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) suspending or expelling these persons from membership in the association or exchange.

Item 4, "Bankruptcy", Item 4 is hereby supplemented by the addition of the following statements incorporated at the beginning of the Item 4:

> No entity or person listed in Items 1 and 2 of this Disclosure Document has, at any time during the previous ten (10) fiscal years (a) filed for bankruptcy protection, (b) been adjudged bankrupt, (c) been reorganized due to insolvency, or (d) been a principal, director, executive officer or partner of any other person that has so filed or was adjudged or reorganized, during or within one year after the period that the person held a position with the other person.

Hawaii Disclosure

HAWAII ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

ADDITION TO FDD RECEIPT EXHIBIT "I"

The Receipt for this Disclosure Document (attached as Exhibit "I") is supplemented to add the following:

1. THIS FRANCHISE 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 COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. 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 BEFORE THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS BEFORE THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

3. THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT AND 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.

Illinois Disclosure

ILLINOIS ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

DISCLOSURE REQUIRED BY THE STATE OF ILLINOIS

Illinois Law governs the Franchise Agreement(s) and, if applicable, the Development Agreements

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Indiana Disclosure

INDIANA ADDENDUM TO

Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

a. Item 8, "Restrictions on Sources of Products and Services", Item 8 is hereby amended and supplemented by the addition of the following disclosure:

> Under Indiana Code Section 23-2-2.7-1(4), the franchisor will not obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted by the franchisee.

b. Item 6, "Other Fees" and Item 9, "Franchisee's Obligations", are hereby amended and supplemented, as follows:

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

c. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

> Indiana Code 23-2-2.7-1(7) makes unlawful unilateral termination of a franchise unless there is a material violation of the Franchise Agreement and termination is not in bad faith.
>
> Indiana Code 23-2-2.7-1(5) prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.
>
> ITEM 17(r) is amended subject to Indiana Code 23-2-2.7-1(9) to provide that the post-term non-competition covenant shall have a geographical limitation of the territory granted to Franchisee.
>
> ITEM 17(v) is amended to provide that Franchisees will be permitted to commence litigation in Indiana for any cause of action under Indiana Law.
>
> ITEM 17(w) is amended to provide that in the event of a conflict of law, Indiana Law governs any cause of action that arises under the Indiana Disclosure Law or the Indiana Deceptive Franchise Practices Act.

d. This Addendum shall be effective only to the extent that the jurisdictional requirements of the Indiana Code are met independently with respect to such provision, without reference to this Addendum to the Franchise Disclosure Document.

Maryland Disclosure
MARYLAND ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

(a) 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.

(b) A Franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

(c) Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

(d) In the event of a conflict of laws if required by the Maryland Franchise Registration and Disclosure Law, Maryland law shall prevail.

(e) 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.).

Michigan Disclosure
MICHIGAN ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

a. 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.

i) A prohibition of your right to join an association of Franchisees.

ii) A requirement that you assent to a release, assignment, novation, waiver or estoppel that deprives you of rights and protections provided in this act. This shall not preclude you, after entering into a Franchise Agreement, from settling any and all claims.

iii) A provision that permits us to terminate a franchise before the expiration of this term except for good cause. Good cause shall include your failure to comply with any lawful provision of the Franchise Agreement and to cure the failure after being given written notice of the failure and a reasonable opportunity, which in no event need be more than 30 days, to cure the failure.

iv) A provision that permits us to refuse to renew a franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials that have no value to us 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: (a) the term of the franchise is less than 5 years, and (b) you are prohibited by the franchise agreement 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 you do not receive at least 6 months advance notice of our intent not to renew the franchise.

v) 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.

- A provision requiring that litigation be conducted outside this state. This shall not preclude you from entering into an agreement, at the time of litigation, to conduct litigation at a location outside this state.

- A provision that permits us to refuse to permit a transfer of ownership of a franchise, except for good cause. The subdivision does not prevent us from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

  - The failure of the proposed transferee to meet our then-current reasonable qualifications or standards.

  - The fact that the proposed transferee is our or Sub-franchisor's competitor.

  - The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

  - Your or proposed transferee's failure to pay us any sums or to cure any default in the Franchise Agreement existing at the time of the proposed transfer.

  - A provision that requires you to resell to us items that are not uniquely identified with us. This subdivision does not prohibit a provision that grants us 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 us the right to acquire the assets of a franchise for the market or appraised value and has failed to cure the breach in the manner provided in ITEM 17 (g).

  - A provision that permits us to directly or indirectly convey, assign or otherwise transfer our obligations to fulfill contractual obligations to you unless a provision has been made for providing the required contractual services.

b. If our most recent financial statements are unaudited and show a net worth of less than $100,000.00, you may request that we arrange for the escrow of initial investment and other funds you paid until our obligations, if any, to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At our option, a surety bond may be provided in place of escrow.

c. THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENFORCEMENT BY THE ATTORNEY GENERAL.

d. Any questions regarding this notice should be directed to: State of Michigan, Consumer Protection Division, Attention: Franchise Bureau, 670 Law Building, Lansing, MI 48913; telephone number (517) 373-3800.

Minnesota Disclosure

MINNESOTA ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

ADDITIONAL RISK FACTORS:

1. THESE FRANCHISES HAVE BEEN REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

2. THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

AMENDMENT OF FDD DISCLOSURES:

a. Item 13, "Trademarks", Item 13 is hereby supplemented and amended by the inclusion of the following:

As required by the Minnesota Franchise Act, Minn. Stat. Sec. 80C.12(g), we will reimburse you for any costs incurred by you in the defense of your right to use the marks, so long as you were using the marks in the manner authorized by us, and so long as we are timely notified of the claim and given the right to manage the defense of the claim including the right to compromise, settle or otherwise resolve the claim, and to determine whether to appeal a final determination of the claim.

b. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subs. 3, 4 and 5, which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of the Agreement.

ITEM 17 shall not provide for a prospective general release of claims against us that may be subject to the

Minnesota Franchise Law. Minn. Rule 2860.4400D prohibits a franchisor from requiring a franchisee to assent to a general release.

Minn. Stat. §80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the Disclosure Document or Franchise Agreement 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 the jurisdiction.

New York Disclosure
NEW YORK ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005.

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of **Item 3**:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person 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.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of **Item 4**:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of **Item 5**:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of **Item 17(c)**, titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer"**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of **Item 17(d)**, titled "Termination by franchisee"**:**

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the "Summary" section of **Item 17(j)**, titled "**Assignment of contract by franchisor"**:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.

8. The following is added to the end of the "Summary" sections of **Item 17(v)**, titled "**Choice of forum"**, and Item 17(w), titled "**Choice of law"**:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

North Dakota Disclosure
NORTH DAKOTA ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

a. Item 5, "Initial fees", is hereby amended and supplemented, as follows:

Refund and cancellation provisions will be inapplicable to franchises operating under North Dakota Law, North Dakota Century Code Annotated Chapter 51-19, Sections 51-19-01 through 51-19-17. If franchisor elects to cancel this Franchise Agreement, franchisor will be entitled to a reasonable fee for its evaluation of you and related preparatory work performed and expenses actually incurred.

b. Item 6, "Other Fees", is hereby amended and supplemented, as follows:

No consent to termination or liquidated damages shall be required from franchisees in the State of North Dakota.

c. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

Any provision requiring a franchisee to sign a general release upon renewal of the franchise agreement has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision requiring a franchisee to consent to termination or liquidation damages has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Covenants restricting competition contrary to Section 9-08-06 of the North Dakota Century Code, without further disclosing that such covenants may be subject to this statute, are unfair, unjust and inequitable. Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota.

Any provision in the Franchise Agreement requiring a franchisee to agree to the arbitration or mediation of disputes at a location that is remote from the site of the franchisee's business has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The site of arbitration or mediation must be agreeable to all parties and may not be remote from the franchisee's place of business.

Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of North Dakota is void with respect to any cause of action which is otherwise enforceable in North Dakota.

Apart from civil liability as set forth in Section 51-19-12 of the N.D.C.C., which is limited to violations of the North Dakota Franchise Investment Law (registration and fraud), the liability of the franchisor to a franchisee is based largely on contract law. Despite the fact that those provisions

are not contained in the franchise investment law, those provisions contain substantive rights intended to be afforded to North Dakota residents and it is unfair to franchise investors to require them to waive their rights under North Dakota Law.

Any provision in the Franchise Agreement requiring that the Franchise Agreement be construed according to the laws of a state other than North Dakota are unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Any provision in the Franchise Agreement which requires a franchisee to waive his or her right to a jury trial has been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

Rhode Island Disclosure

RHODE ISLAND ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

The Rhode Island Franchise Investment Act, R.I. Gen. Law Ch. 395 Sec. 19-28.1-14 provides that a provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

Any general release as a condition of renewal, termination or transfer will be void with respect to claims under the Rhode Island Franchise Investment Act.

Virginia Disclosure

VIRGINIA ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17.h. is hereby amended and supplemented, as follows:

Under 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 Angels Spa Franchise Agreement do 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.

Washington State Disclosure

WASHINGTON ADDENDUM TO
Special Spa Franchising, Inc. Franchise Disclosure Document

AMENDMENT OF FDD DISCLOSURES:

In recognition of the Washington State Franchise Investment Protection Act, Chapter 19.100 RCW, the following amendments are made to the Franchise Disclosure Document:

1. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator.

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

3. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

5. Chapter 49.62 RCW limits the use of non-competition agreements and may supersede the franchise agreement's non-competition provisions. Washington law provides as follows: (1) an employee non-compete covenant is unenforceable unless the employee's annual earnings exceed $100,000; (2) a presumption is created that any non-compete covenant with a duration longer than 18 months is unreasonable and unenforceable; (3) a franchisor may not restrict, restrain or prohibit a franchisee from soliciting or hiring any employee of the franchisor or a franchisee of the same franchisor; (4) any contractual provision that requires an employee to adjudicate a non-competition covenant outside of Washington State is void and unenforceable.

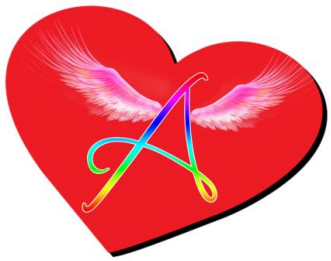
Wisconsin Disclosure

WISCONSIN ADDENDUM TO

Special Spa Franchising, Inc. Franchise Disclosure Document

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," Item 17 is hereby amended and supplemented, as follows:

The Wisconsin Fair Dealership Law Title XIV-A Ch. 135, Section 135.01-135.07 may affect the termination provision of the Franchise Agreement.



STATE SPECIFIC AMENDMENTS TO FRANCHISE AGREEMENT
AND, IF APPLICABLE, DEVELOPMENT AGREEMENT

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HAWAII – Franchise Agreement Amendment
to Angels Spa Franchise Agreement

In recognition of the requirements of the Hawaii Franchise Investment Law, the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") agree as follows:

1. Under Article 14.C of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C(6) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (6) The transferor and its owners and Owners must execute a general release in a form satisfactory to Franchisor, releasing Franchisor, Franchisor's affiliates and past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on or before the effective date of the Transfer; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Hawaii Franchise Investment Law, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Hawaii Franchise Investment Law be satisfied; and
>
> The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If this subarticle contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

2. Under Article 15.D of the Franchise Agreement, under the heading "Conditions for Renewal," the subarticle 15.D(5) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders - If precluded by law from giving a general release, Franchisee shall execute an estoppel statement -; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Hawaii Franchise Investment Law, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Hawaii Franchise Investment Law be satisfied; and
>
> The Hawaii Franchise Investment Law provides rights to the franchisee concerning non-renewal, termination and transfer of the Franchise Agreement. If this subarticle contains a provision that is inconsistent with the Hawaii Franchise Investment Law, the Hawaii Franchise Investment Law will control.

3. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Hawaii State amendment to the Special Spa Franchising, Inc. Franchise Agreement on the same date as the Franchise Agreement was executed.

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Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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ILLINOIS – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

In recognition of the requirements of the Illinois Franchise Disclosure Act, 815 ILCS 705/1 to 705/45, and Ill. Admin. Code tit. 15, §200.100 et seq., the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement") agree as follows:

Illinois Law governs the Franchise Agreement(s) and, if applicable, the Development Agreements

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Illinois Franchise Disclosure Act (815 ILCS 705/1 to 705/45) are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Illinois amendment to the Special Spa Franchising, Inc. Franchise Agreement, and, if applicable, Development Agreement, on the same date as each respective agreement was executed.

Franchisor:	**Franchisee:**
Special Spa Franchising, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)

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MARYLAND – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement")agree as follows:

1. Under Article 14.C of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C(6) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (6) The transferor and its owners and Owners must execute a general release in a form satisfactory to Franchisor, releasing Franchisor, Franchisor's affiliates and past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on or before the effective date of the Transfer; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of the Maryland Franchise Registration and Disclosure Law and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Maryland Franchise Registration and Disclosure Law be satisfied.

2. Under Article 15.D of the Franchise Agreement, under the heading "Conditions for Renewal," the subarticle 15.D(5) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders - If precluded by law from giving a general release, Franchisee shall execute an estoppel statement -; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of the Maryland Franchise Registration and Disclosure Law and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of the Maryland Franchise Registration and Disclosure Law be satisfied.

3. Article 18.G. of the Franchise Agreement, under the heading "Exclusive Jurisdiction and Venue," shall be amended by the addition of the following statement added to Article 18.G.:

> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Article 18.I. of the Franchise Agreement, under the heading "Limitations of Claims," shall be amended by the addition of the following statement added to Article 18.I.:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Article 18 of the Franchise Agreement, under the heading "Enforcement and Construction," shall be supplemented by the addition of the following new subarticle 18.Z.:

> 18.Z Nothing in this Agreement should be considered a waiver of any right conferred upon franchisee by the Maryland Franchise Registration and Disclosure Law.
>
> 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.

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A general release required as a condition of renewal, sale and/or assignment or transfer of a Franchise Agreement shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law

6. If Franchisee executes a Development Agreement, then Article 7.6 of the Development Agreement, under the heading "Exclusive Jurisdiction and Venue", is amended by the addition of the following statement added to the end of the last sentence of Article 7.6:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. If Franchisee executes a Development Agreement, then Article 7.8 of the Development Agreement, under the heading "Limitations of Claims," shall be amended by the addition of the following statement added to Article 7.8:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

8. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Maryland amendment to the Special Spa Franchising, Inc. Franchise Agreement and, if applicable, Development Agreement, on the same date as each respective agreement was executed.

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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MINNESOTA – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

In recognition of the requirements of the Minnesota Statutes, Chapter 80C. and Minnesota Franchise Rules, Chapter 2860, the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement")agree as follows:

1. Under Article 14.C of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C(6) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (6) The transferor and its owners and Owners must execute a general release in a form satisfactory to Franchisor, releasing Franchisor, Franchisor's affiliates and past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on or before the effective date of the Transfer; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Minnesota Franchise Act, Minn. Stat. Section 80C.14 et seq. and Minnesota Rules 2860.4400(D), shall remain in force; it being the intent of this provision that the non-waiver provisions of the Minnesota Rules 2860.4400(D) be satisfied; and
>
> Minnesota law provides a franchisee with certain termination and non-renewal rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given one hundred eighty (180) days' notice of nonrenewal of this Agreement by Franchisor.

2. Under Article 15.D of the Franchise Agreement, under the heading "Conditions for Renewal," the subarticle 15.D(5) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders - If precluded by law from giving a general release, Franchisee shall execute an estoppel statement -; provided, however, that all rights enjoyed by Franchisee and any causes of action arising in Franchisee's favor from the provisions of the Minnesota Franchise Act, Minn. Stat. Section 80C.14 et seq. and Minnesota Rules 2860.4400(D), shall remain in force; it being the intent of this provision that the non-waiver provisions of the Minnesota Rules 2860.4400(D) be satisfied; and
>
> Minnesota law provides a franchisee with certain termination and non-renewal rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given one hundred eighty (180) days' notice of nonrenewal of this Agreement by Franchisor.

3. Under Article 11 of the Franchise Agreement, under the heading "Notice of Infringement and Claims," the subarticle 11.C. shall be supplemented by the addition of the following:

> Franchisor agrees to protect Franchisee, to the extent required by the Minnesota Franchise Act, against claims of infringement or unfair competition with respect to Franchisee's use of the Licensed Marks when, in the opinion of Franchisor's counsel, Franchisee's rights warrant protection pursuant to Article 11.E. of this Agreement.

4. Under Article 14 of the Franchise Agreement, under the heading "Transfer of Interest," the subarticle 14.C. shall be supplemented by the addition of the following:

Franchisor shall not unreasonably withhold consent to transfer the franchise agreement.

5. Under Article 16 of the Franchise Agreement, under the heading "Termination Upon Written Notice," the subarticle 16.A(2). shall be supplemented by the addition of the following:

Article 16.A(2) will not be enforced to the extent prohibited by applicable law.

6. Under Article 16 of the Franchise Agreement, under the heading "Termination After Cure Period," the subarticle 16.A(3)(d), shall be supplemented by the addition of the following:

Subarticle 16.A(3)(d) will not be enforced to the extent prohibited by applicable law.

7. Under Article 16 of the Franchise Agreement, under the heading "Termination After Cure Period," the subarticle 16.A(3) is hereby amended to replace the "30" day cure period with "60" days and the following is added:

Minnesota law provides a franchisee with certain termination rights. Minn. Stat. Sect. 80C.14 Subdivisions 3, 4, and 5 require, except in certain specified cases, that franchisee be given ninety (90) days' notice of termination (with sixty days to cure) of this Agreement.

8. Article 18.F. of the Franchise Agreement, under the heading "Governing Law", shall be amended by the addition of the following statement added to the end of the last sentence of Article 18.F.:

; except to the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

9. Article 18.G. of the Franchise Agreement, under the heading "Exclusive Jurisdiction and Venue", shall be amended by the addition of the following statement added to the end of the last sentence of Article 18.G.:

; except the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

10. Article 18.K of the Franchise Agreement, under the heading "Waiver of Jury Trial", shall be supplemented by the addition of the following statement at the end of the sentence contained in Article 18.K.:

; except that nothing in this Agreement should be considered a waiver of any right conferred upon Franchisee by the Minnesota Franchise Act.

11. Article 18.I. of the Franchise Agreement, under the heading "Limitations of Claims," shall be supplemented by the addition of the following statement:

Under the Minnesota Franchise Act, any claims between the parties must be commenced within three years of the occurrence of the facts giving rise to such claim, or such claim shall be barred.

12. Article 18 of the Franchise Agreement, under the heading "Enforcement and Construction," shall be supplemented by the addition of the following new subarticle 18.Z.:

18.Z Any foregoing acknowledgments are not intended to nor shall they act as a release, estoppel or waiver or any liability under the Minnesota Franchise Act.

13. If Franchisee executes a Development Agreement, then Article 7.5 of the Development Agreement, under the heading "Governing Law", shall be amended by the addition of the following statement added to the end of the last sentence of Article 7.5:

; except to the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

14. If Franchisee executes a Development Agreement, then Article 7.6 of the Development Agreement, under the heading "Exclusive Jurisdiction and Venue", is amended by the addition of the following statement added to the end of the last sentence of Article 7.6:

; except the extent otherwise prohibited by applicable law with respect to claims arising under the Minnesota Franchise Act.

15. If Franchisee executes a Development Agreement, then Article 7.8 of the Development Agreement, under the heading "Limitations of Claims," shall be amended by the addition of the following statement added to Article 7.8:

Under the Minnesota Franchise Act, any claims between the parties must be commenced within three years of the occurrence of the facts giving rise to such claim, or such claim shall be barred.

16. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act are met independently without reference to this amendment.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Minnesota State amendment to the Special Spa Franchising, Inc. Franchise Agreement and, if applicable, Development Agreement, on the same date as each respective agreement was executed.

Franchisor:	**Franchisee:**
Special Spa Franchising, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)
	_____
	Signature
	_____
	Name (please print)

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NEW YORK – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

In recognition of the requirements of the New York General Business Law, Article 33, Sections 680 through 695, and of the regulations promulgated thereunder (N.Y. Comp. Code R. & Regs., tit. 13, §§ 200.1 through 201.16), the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement") agree as follows:

1. Under Article 14.C of the Franchise Agreement, under the heading "Conditions for Approval of Transfer," the subarticle 14.C(6) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (6) The transferor and its owners and Owners must execute a general release in a form satisfactory to Franchisor, releasing Franchisor, Franchisor's affiliates and past and present officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees, of any and all claims against Franchisor for matters arising on or before the effective date of the Transfer; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

2. Under Article 15.D of the Franchise Agreement, under the heading "Conditions for Renewal," the subarticle 15.D(5) shall be deleted in its entirety and shall have no force or effect, and the following shall be substituted in lieu thereof:

> (5) Franchisee and the Owners must execute the general release, attached hereto as Exhibit 10 releasing Franchisor, its affiliates and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, employees, successors and assigns from any and all claims, including, without limitation, claims arising under this Agreement under federal, state or local laws, rules, regulations, or orders - If precluded by law from giving a general release, Franchisee shall execute an estoppel statement; provided, however, that all rights and causes of action arising in favor of Franchisee from the provisions of New York General Business Law Sections 680-695 and the regulations issued thereunder, shall remain in force; it being the intent of this provision that the non-waiver provisions of N.Y. Gen. Bus. Law Sections 687.4 and 687.5 be satisfied.

3. Article 18 of the Franchise Agreement, under the heading "Enforcement and Construction," shall be supplemented by the addition of the following new subarticle 18.Z.:

> 18.Z Nothing in this Agreement should be considered a waiver of any right conferred upon franchisee by New York General Business Law, Sections 680-695.

4. There are circumstances in which an offering made by Special Spa Franchising, Inc. would not fall within the scope of the New York General Business Law, Article 33, such as when the offer and acceptance occurred outside the state of New York. However, an offer or sale is deemed made in New York if you are domiciled in New York or the Outlet will be opening in New York. Special Spa Franchising, Inc. is required to furnish a New York prospectus to every prospective franchisee who is protected under the New York General Business Law, Article 33.

5. Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York General Business Law, are met independently without reference to this amendment.

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IN WITNESS WHEREOF, the parties have duly executed and delivered this New York amendment to the Special Spa Franchising, Inc. Franchise Agreement and, if applicable, Development Agreement, on the same date as each respective agreement was executed.

Franchisor:
Special Spa Franchising, Inc.

By:_____
Signature

_____
Name and Title

Franchisee:

_____
Signature

_____
Name (please print)

_____
Signature

_____
Name (please print)

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NORTH DAKOTA – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

Notwithstanding anything to the contrary set forth in the Angels Spa Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement"), the following provisions shall supersede any inconsistent provisions and apply to Angels Spas offered and sold in the state of North Dakota:

The North Dakota Addendum is only applicable if you are a resident of North Dakota or if your Angels Spa outlet will be located within the State of North Dakota.

1. Article 15 of the Franchise Agreement is hereby amended by the addition of the following language:

Provisions requiring North Dakota franchisees to sign a general release upon renewal of the franchise agreement are not enforceable in North Dakota.

2. Article 16 of the Franchise Agreement is hereby amended by the addition of the following language:

Provisions requiring North Dakota Franchisees to consent to termination or liquidated damages are not enforceable in North Dakota.

3. Articles 6 and 17 of the Franchise Agreement is hereby amended by the addition of the following language:

Covenants not to compete such as those mentioned above are generally considered unenforceable in the state of North Dakota.

4. Article 18 of the Franchise Agreement and, if applicable, Article 7.6 of the Development Agreement is hereby amended by the addition of the following language:

Covenants requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota may not be enforceable in North Dakota.

5. Article 18 of the Franchise Agreement and, if applicable, Article 7.5 of the Development Agreement, is hereby amended by the addition of the following language:

For North Dakota Franchisees, North Dakota law shall apply.

6. Article 18 of the Franchise Agreement and, if applicable, Article 7.10 of the Development Agreement, is hereby amended by the addition of the following language:

Provisions requiring a franchisee to consent to a waiver of trial by jury are not enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

7. Article 18 of the Franchise Agreement and, if applicable, Article 7.9 of the Development Agreement, is hereby amended by the addition of the following language:

Provisions requiring the franchisee to consent to a waiver of exemplary and punitive damages are not enforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

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8. Article 18 of the Franchise Agreement and, if applicable, Article 7.8 of the Development Agreement, is hereby amended by the addition of the following language:

Provisions requiring a franchisee to consent to a limitation of claims within one year have been determined to be unfair, unjust and inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. Therefore, for North Dakota franchisees, the statute of limitations under North Dakota Law will apply.

Each provision of this amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of North Dakota Law are met independently without reference to this amendment.

Franchisor:	**Franchisee:**
Special Spa Franchising, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)
	_____
	Signature
	_____
	Name (please print)

WASHINGTON STATE – Franchise Agreement and Development Agreement Amendment
to Angels Spa Franchise and Development Agreement

In recognition of the Washington State Franchise Investment Protection Act, Chapter 19.100 RCW, the parties to the attached Special Spa Franchising, Inc. Franchise Agreement (the "Franchise Agreement") and, if applicable, the Special Spa Franchising, Inc. Development Agreement (the "Development Agreement") agree as follows:

1. In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the State of Washington, or in a place mutually agreed upon at the time of the arbitration or as determined by the arbitrator.

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

3. A release or waiver of rights executed by a franchisee shall not include rights under the Washington Franchise Investment Protection Act 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, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

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

5. Chapter 49.62 RCW limits the use of non-competition agreements and may supersede the franchise agreement's non-competition provisions. Washington law provides as follows: (1) an employee non-compete covenant is unenforceable unless the employee's annual earnings exceed $100,000; (2) a presumption is created that any non-compete covenant with a duration longer than 18 months is unreasonable and unenforceable; (3) a franchisor may not restrict, restrain or prohibit a franchisee from soliciting or hiring any employee of the franchisor or a franchisee of the same franchisor; (4) any contractual provision that requires an employee to adjudicate a non-competition covenant outside of Washington State is void and unenforceable.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Washington State amendment to the Special Spa Franchising, Inc. Franchise Agreement and, if applicable, Development Agreement, on the same date as the Franchise Agreement was executed.

Franchisor:	**Franchisee:**
Special Spa Franchising, Inc.	
By:_____	_____
Signature	Signature
_____	_____
Name and Title	Name (please print)
	_____
	Signature
	_____
	Name (please print)

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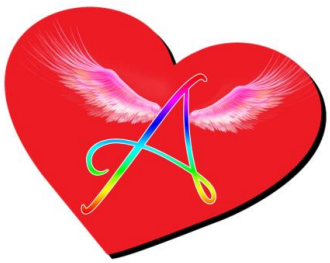

FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT J
STATE EFFECTIVE DATES

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:

Effective Dates	
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

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FRANCHISE DISCLOSURE DOCUMENT

EXHIBIT K
RECEIPTS

SPECIAL SPA FRANCHISING, INC.

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all the agreements carefully.

If Special Spa Franchising, Inc. offers you a franchise, we must provide this Disclosure Document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate of ours in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements 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 signing of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If we do not deliver this Disclosure Document on time of 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, D.C. 20580 and the applicable state administrator identified Exhibit A of this Disclosure Document. We authorize the respective state agencies identified in Exhibit B of this Disclosure Document to receive service of process for us in the particular state.

Issuance Date of this Disclosure Document: April 13, 2021

Our sales agents for this offering are:
Name(s): Truc Hien Tran Le
Address: Ocean View Estates. 7051 Ellis Avenue, Suite 19, Huntington, CA 92648
Telephone Number: (714) 312-9200

The following individual and/or individuals are also sales agents for this offering:

☐ [Other:] _____

I have received a disclosure document dated April 13, 2021 that contained the following Exhibits:

A. List of State Administrators
B. List of Agents for Service of Process
C. Operations Manual Table of Contents
D. Financial Statements
E. Franchise Agreement
F. Development Agreement
G. List of Franchisees
H. List of Franchisees Who Have Left the System
I. State Specific Addenda
J. State Effective Dates
K. Receipts

PROSPECTIVE FRANCHISEE:

_____ _____

DATE RECEIVED (Must be Completed) Authorized Signature

_____

Name and Title (please print)

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SPECIAL SPA FRANCHISING, INC.

RECEIPT

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PROSPECTIVE FRANCHISEE:

_____ _____

DATE RECEIVED (Must be Completed) Authorized Signature

_____

Name and Title (please print)

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