

FRANCHISE DISCLOSURE DOCUMENT



dermani MEDSPA® Franchising LLC
A Florida Limited Liability Company
9100 Conroy Windermere Road, Suite 200
Windermere, Florida 34786
877-DERMANI (337-6264)
www.dermanimedspa.com

This disclosure document provides information regarding the operation of a medical spa management system for medical centers that offer and sell medical spa and cosmetic services related to skin, cosmetic injectables, laser hair removal treatments, and any other products or services that we authorize, all of which are provided by independent physicians or medical personnel supervised by a physician, and professionally licensed persons or entities.

The total investment necessary to begin operation of a single franchised dermani MEDSPA® ranges from \$326,833 to \$668,526. This includes \$54,500 to \$77,000 that must be paid to the franchisor or affiliate.

If you sign an Area Development Agreement to develop multiple dermani MEDSPA®s in a specified area, you must also pay the franchisor an area development fee that will depend on the number of dermani MEDSPA®s that you develop. The total investment necessary to enter into an Area Development Agreement for the right to develop two dermani MEDSPA®s is \$366,333 to \$708,026, which includes \$94,000 to \$116,500 that must be paid to the franchisor or affiliate for the initial dermani MEDSPA®.

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 governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Harvey Hillyer, Member, 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786, phone number 877-DERMANI (337-6264).

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

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

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

The issuance date of this Franchise Disclosure Document is April 14, 2023.

How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information:

QUESTION	WHERE TO FIND INFORMATION
How much can I earn?	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits E. and F.
How much will I need to invest?	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's 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 G 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 dermani MEDSPA 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 a dermani MEDSPA franchisee?	Item 20 or Exhibits E and F lists 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 D.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This Franchise*

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Florida. 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 Florida than in your own state.
2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you

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.

DISCLOSURES REQUIRED BY MICHIGAN LAW

To the extent the Michigan Franchise Investment Law, Mich. Comp. Laws §§445.1501 – 445.1546 applies, the terms of this Addendum apply.

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

- (a) A prohibition on the right of a franchisee to join an association of 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.
- I 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 subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision(c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

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

If the franchisee has any questions regarding this notice, those questions should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Attn.: Franchise, 670 Law Building, Lansing, Michigan 48913, telephone: (517) 373-7117.

DERMANI MEDSPA®
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS

	<u>Page</u>
ITEM 1 THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES	4
ITEM 2 BUSINESS EXPERIENCE.....	8
ITEM 3 LITIGATION	9
ITEM 4 BANKRUPTCY	9
ITEM 5 INITIAL FEES	9
ITEM 6 OTHER FEES	10
ITEM 7 ESTIMATED INITIAL INVESTMENT	15
ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES.....	21
ITEM 9 FRANCHISEE’S OBLIGATIONS	24
ITEM 10 FINANCING	26
ITEM 11 FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING	26
ITEM 12 TERRITORY	38
ITEM 13 TRADEMARKS, SERVICE MARKS, TRADE NAMES, LOGOTYPES, AND COMMERCIAL SYMBOLS.....	41
ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION	42
ITEM 15 OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS	43
ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL.....	45
ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION	47
ITEM 18 PUBLIC FIGURES	52
ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS	52
ITEM 20 OUTLETS AND FRANCHISEE INFORMATION	59
ITEM 21 FINANCIAL STATEMENTS	61
ITEM 22 CONTRACTS	62
ITEM 23 RECEIPTS	62

Exhibits

A Franchise Agreement	H Table of Contents for Manuals
B Area Development Agreement	I State-Specific Disclosures
C List of State Administrators	J State-Specific Agreement Amendments
D Agents for Service of Process	K Release Agreement
E List of Current dermani MEDSPA® Franchisees	L Waiver of Management Agreement
F List of Former dermani MEDSPA® Franchisees	M Franchisee Compliance Certification
G Financial Statements	N State Effective Dates & Receipts

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

The Franchisor

dermani MEDSPA® Franchising LLC (“us,” “our” or “we”) is the franchisor. “You” or “your” mean the person or legal entity that buys the franchise. The term “you” also refers to the direct and indirect owners of a corporation, partnership, limited liability company, or limited liability partnership that signs a franchise agreement as the “franchisee”.

We started as a Georgia limited liability company, and we were incorporated on January 16, 2019. We began operations on April 30, 2019. We then converted to a Florida limited liability company on March 25, 2022 and maintain our principal place of business at 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786. We do not maintain sales offices at any location other than our principal place of business. We conduct business under the name and mark “dermani MEDSPA®,” and we do not conduct business under any other name. Our agents for service of process are listed in Exhibit D.

We franchise the right to manage a dermani MEDSPA®, which is a medical spa center that offers and sells medical spa and cosmetic services provided by independent physicians or medical personnel supervised by a physician, and professionally licensed persons or entities, and is described in greater detail below. We began to offer these franchises as of May 2019.

We do not offer and have not in the past offered any franchises other than as described in this disclosure document. We do not engage and have not in the past engaged in any business activity other than these franchising activities

The Franchise Offered

We have developed a medical spa management system (the “**System**”) relating to the development and operation of businesses (each, a “**Franchised Business**”) that manage medical care centers (each, a “**dermani MEDSPA®**”) offering medical spa and cosmetic services related to skin, cosmetic injectables, laser hair removal treatments, and any other products or services that we authorize, all of which are provided by independent physicians or medical personnel supervised by a physician, and professionally licensed persons or entities.

We will offer qualified individuals or legal entities the opportunity to enter into a franchise agreement (the “**Franchise Agreement**”) with us. Under the Franchise Agreement we will grant you the right and license to operate a Franchised Business that will manage a dermani MEDSPA® under the System at an agreed-upon location (the “**Premises**”), under our Marks (as defined below). The Franchise Agreement is attached as Exhibit A.

dermani MEDSPA®s are managed according to our System. We identify the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including but not limited to the mark “dermani MEDSPA®” and any other trade names, service marks, and trademarks (the “**Marks**”), as are now designated (and may in the future be designated by us in writing) for use in connection with the System. You must operate your Franchised Business and manage the dermani MEDSPA® according to our standards and procedures, as set out in our confidential operating manuals (the “**Manuals**”). We will lend you a copy of the Manuals for the duration of the Franchise Agreement. In addition, we will grant you the right to use the Marks that we designate in writing for use with the System. We may periodically change and improve parts of the System, and you must promptly comply with all new or changed items.

The dermani MEDSPA® will be operated by one or more physicians licensed to provide medical spa services in the state in which the dermani MEDSPA® is located. The physician or physicians will form a professional entity, which is a professional corporation, professional limited liability company, service corporation, or similar entity, referred to as a “**PC**,” that will provide medical services to clients at the dermani MEDSPA®. In addition to signing the Franchise Agreement with us, before you begin operating the Franchised Business, you must enter into a management agreement (“**Management Agreement**”) with the PC.

You must sign a Management Agreement with a PC unless your dermani MEDSPA® will be in a state that permits one entity to both manage and operate the dermani MEDSPA®, including providing medical services from the dermani MEDSPA®. If you are in a state that permits you to both manage the dermani MEDSPA® and provide medical services, you must sign our Waiver of Management Agreement. More information about the Waiver of Management Agreement is provided below. In the event applicable state law permits franchisees to operate the dermani MEDSPA®, or does not require a PC, then you as the owner of the Franchised Business must satisfy and comply with all other requirements that would otherwise pertain to the PC (for example, obtaining and maintaining professional liability coverage as discussed in Item 8).

We must approve the PC candidate. Under the Management Agreement, you will provide the PC with management and administrative services and support consistent with the System to support the PC’s practice and its delivery of medical spa services and related products to clients at the dermani MEDSPA®, consistent with all applicable laws and regulations. The services the Franchised Business will provide to the dermani MEDSPA® include billing and collections, business planning, accounts payable management, bookkeeping and financial management, clients records maintenance, management of administrative staff, arranging for the PC to obtain and maintain professional liability insurance, marketing and promotional activities, and arranging legal services and credentialing support. Unless otherwise approved by us, you must use our standard form of Management Agreement, but you may negotiate the monetary terms and, with our written consent, certain other terms of the relationship with the PC. You must have a Management Agreement in effect with a PC at all times during the operation of the Franchised Business and the term of the Franchise Agreement. The Management Agreement may not be signed by you or the PC until we have approved of the Management Agreement and its negotiated terms. In the event the Management Agreement with the PC is terminated during the initial term of your Franchise Agreement, you must enter into a new Management Agreement with a replacement PC as soon as practicable, but in no event later than one hundred twenty (120) days after you provide or receive notice that the Management Agreement with the original PC is being terminated.

The PC will employ and control the physicians and personnel, including, for example, physician assistants, medical assistants, estheticians, cosmetic injectors and other similar medical professionals (collectively, the “**Affiliated Physicians**”) who will provide the actual medical services required to be delivered at and through the dermani MEDSPA®. You will not provide any medical services to clients of the dermani MEDSPA® nor will you supervise, direct, control or suggest to the PC or its physicians or employees the manner in which the PC provides or may provide medical services to its clients. Due to various federal and state laws and state professional licensing board rules, regarding the practice of medicine, and the ownership and operation of medical practices and health care businesses that provide medical services, it is critical that you do not engage in practices that are, or may appear to be, the practice of medicine. The dermani MEDSPA® must offer all products and services authorized by us in accordance with the Management Agreement and the System. The only exception to this is if you are in a state that permits you to own a dermani MEDSPA® as well as the entity that provides medical services, as previously discussed above.

You will construct or build-out the dermani MEDSPA® for use by the PC. The Premises will be in an area identified under the Franchise Agreement (the “**Territory**”). You must operate the Franchised Business and manage the dermani MEDSPA® in the Territory. You must use the System in operating your Franchised Business and at all times perform your obligations under the Franchise Agreement faithfully, honestly, and diligently, and use your best efforts to promote the dermani MEDSPA®. In addition, you will staff the Franchised Business with the type and number of support staff needed to efficiently support the Franchised Business, and the dermani MEDSPA® and its medical personnel.

Area Development Agreement

We also may offer an area development agreement (the “**Area Development Agreement**”) to qualified entities and persons (a “**Developer**”). The Area Development Agreement grants the right to establish and operate a specified number of Franchised Businesses that will manage dermani MEDSPA®s in a specified area (the “**Development Area**”) at specific locations to be designated in separate Franchise Agreements. The form of Area Development Agreement that we intend to offer is attached to this disclosure document as Exhibit B.

If you sign an Area Development Agreement, you must open each Franchised Business according to the schedule for developing Franchised Businesses described in Exhibit A to the Area Development Agreement (the “**Development Schedule**”). The Developer will exercise each development right by executing our then-current form of Franchise Agreement, which may materially differ from the current Franchise Agreement included in this disclosure document, for the establishment and operations of a Franchised Business.

The number of Franchised Businesses to be established under the Development Schedule will be mutually determined by you and us, based on the size of the Development Area, demographics and economic factor in the Development Area, expected demand for dermani MEDSPA®s, your desire and ability to develop and manage the dermani MEDSPA®s, and other factors. We require a minimum commitment of at least 2 Franchised Businesses to enter into an Area Development Agreement. During the term of the Area Development Agreement, you must manage and maintain at least the number of dermani MEDSPA®s which are required to be established according to the terms of the Development Schedule.

Industry-Specific Regulations

You must comply with all local, state, and federal laws that apply to your Franchised Business and the dermani MEDSPA®. The medical industry is heavily regulated. These laws may include federal, state and local regulations, as well as state professional licensing board rules, relating to: the practice of medicine and the operation and licensing of medical services; the relationship of providers and suppliers of health care services, on the one hand, and physicians and clinicians, on the other, including anti-kickback laws such as the Federal Medicare Anti-Kickback Statute and similar state laws; restrictions or prohibition on fee splitting; physician self-referral restrictions; privacy of client records (including the Health Insurance Portability and Accountability Act of 1996, or HIPAA); use of medical devices; and advertising of medical services. While not all of these laws and regulations will be applicable to all dermani MEDSPA®s due to their locations, it is important to be aware of the regulatory framework.

You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the other licenses applicable to the dermani MEDSPA® and its employees. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files.

You must comply with all state and local laws and regulations regarding the management of a medical office.

You must also make sure that your relationship with the PC for which you manage the dermani MEDSPA® complies with all laws and regulations, and that the PC secures and maintains in force all required licenses, permits and certificates relating to the operation of a dermani MEDSPA®. Each state has medical, nursing, physician assistant, cosmetology, naturopathic, chiropractic and/or other boards that determine rules and regulations regarding their respective members and the scope of services that may legally be offered by their members. The laws and regulations generally include requirements for the medical providers to hold required state licenses and registrations to work as (as applicable) physicians, nurse practitioners, and physician assistants in the state where the dermani MEDSPA® is located, and to hold required certifications by, or registrations in, any applicable professional association or registry.

If we grant you the right to operate a Franchised Business, we are not engaging in the practice of medicine, nursing or any other profession that requires specialized training or certification, and you must not engage in the practice of medicine, nursing, or any other profession that requires specialized training or certification, subject to the exception described below. The Franchise Agreement and Management Agreement will not interfere, affect or limit the independent exercise of medical judgment by the PC and its medical staff. You must research all applicable laws, and we strongly advise that you consult with an attorney and/or contact local, state and federal agencies before signing a Franchise Agreement with us, or a Management Agreement with a PC, to determine your legal obligations and evaluate the possible effects on your costs and operations.

In addition, you must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including government regulations relating to occupational hazards, health, EEOC, OSHA, discrimination, employment, sexual harassment, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You should consult with your attorney concerning those and other local laws and ordinances that may affect the operation of your Franchised Business.

Waiver of Management Agreement

In certain states, it may be permissible under the existing laws that may be applicable to medical practices and/or medical centers for one entity to both manage and operate the dermani MEDSPA®, including hiring any medical and professional personnel and providing medical services to clients at the dermani MEDSPA®. If you determine that the laws that would apply to a dermani MEDSPA® in your state would permit you to do so, you may request that we waive certain requirements of the Franchise Agreement related to separating the operation of the medical aspects of the dermani MEDSPA® from the management aspects. In particular, depending upon the applicable laws and circumstances, you may not be required to enter into a management agreement with a PC, or be restricted from directly employing Affiliated Physicians. Any waiver or any modification of our standards would be subject to compliance with all applicable laws and regulations. If we agree to a waiver, you must enter into our "Waiver of Management Agreement" (which is Exhibit L to this Disclosure Document). Under the Waiver of Management Agreement, you agree that, instead of entering into the Management Agreement with a separate PC, you will (a) operate the dermani MEDSPA®, including performing all responsibilities and obligations of the "PC" under the Management Agreement, and (b) manage the dermani MEDSPA® as required in the Franchise Agreement and by performing all the responsibilities and obligations of the "Company" under the Management Agreement. As part of this Waiver of Management Agreement, you must represent that you have consulted with an attorney with experience in medical and health care laws and regulations in your state, and she or he has advised you that you may operate the Franchised Business

and the dermani MEDSPA® as one entity. If you qualify to enter into the Waiver of Management Agreement, we will make the final determination whether we will permit the waiver or not.

Our Predecessors and Affiliates

Our parent company is LazCoz LLC (“LazCoz”), and its principal business address is 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786. Except for the companies identified in this Item, we do not have any other parents or predecessors.

Except for our affiliates disclosed in this Item, we do not have other affiliates that offer franchises in any line of business or provide products or services to our franchisees.

Competition

The market for medical centers offering medical spa and cosmetic services is developing and highly competitive. The target market for these services includes the general public. The growing needs of the population have increased the demand for medical spa and cosmetic services. As a franchisee, the dermani MEDSPA® that you manage will compete with other providers of these services, including franchised and non-franchised businesses, as well as hospitals and private medical practices. Medical spa concepts compete on the basis of many factors, such as price, service, location, product quality, promotions and marketing programs. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns.

ITEM 2 **BUSINESS EXPERIENCE**

Harvey Hillyer, Member of LazCoz

Mr. Hillyer has been a Member of LazCoz since August 2013. Prior to that, Mr. Hillyer was the Managing Partner of BenchMark Physical Therapy in Ooltewah, TN from August 1995 to December 2015.

Allison Hillyer, Member of LazCoz

Mrs. Hillyer has been a Member of LazCoz since August 2013.

Stephanie Adams, Senior Operations Manager

Stephanie Adams joined dermani MEDSPA® in September 2018. Prior to that, she was the Assistant to the Head of Upper School at Palm beach Day Academy from July 2008 to July 2018 in Palm Beach, FL. she had experience in project management in Education from 2007 - 2018.

Cullen Allen, Senior Training Manager

Cullen Allen has been our Senior Training Manager since November 2018. Prior to that, he was a Medical Assistant at Cole Dermatology and Aesthetics Center from July 2018 to November 2018 in Peachtree Corners, GA, and an Inventory & Training Manager at Restorative Health from May 2016 to July 2018 in Sugar Hill, GA.

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

When you sign your first Franchise Agreement you must pay us an initial franchise fee of \$49,500 (the “**Initial Franchise Fee**”). If you are signing a Franchise Agreement for a second or subsequent Franchised Business, and you are not signing it in connection with an Area Development Agreement, then the Initial Franchise Fee will be reduced by \$10,000. The Initial Franchise Fee will be nonrefundable for administrative and other expenses incurred by us in granting the franchise and for our lost or deferred opportunity to franchise others. Other than as discussed above, the Initial Franchise Fees are uniform for new franchisees signing Franchise Agreements.

Development Fee

If you sign an Area Development Agreement you must pay us a lump sum non-refundable development fee equal to the Initial Franchise Fee for the first Franchised Business plus a reduced Initial Franchise Fee of \$39,500 for the second and each subsequent Franchised Business to be developed under the Area Development Agreement (the “**Development Fee**”).

By way of example, if you were to sign an Area Development Agreement for 2 Franchised Businesses, the Development Fee would be \$89,000.

The calculation and structure of the Development Fee is uniform for all developers. Also, when you sign an Area Development Agreement, you must also sign a Franchise Agreement for the first Franchised Business at that time. We require a minimum commitment of at least 2 Franchised Businesses to enter into an Area Development Agreement. The Development Fee is not refundable for any reason.

Initial Training Fee

Within 14 days of attending our initial training program, you must pay us an initial training fee equal to \$5,000 (the “**Initial Training Fee**”). The Initial Training Fee covers the cost for up to 4 people to attend our initial training program at the same time. The Initial Training Fee is not refundable for any reason.

Grand Opening Marketing Program

As discussed in Items 7 and 11 below, you must implement, and pay for, a grand opening marketing program (the “**Grand Opening Marketing Program**”) for marketing and promoting the opening of your dermani MEDSPA®, according to a marketing plan that you and we will consult on and develop. We will require that you spend a minimum of \$20,000 for the Grand Opening Marketing Program (although you

are free to spend more than \$20,000). We reserve the right to require that you pay to us the required and agreed upon Grand Opening Marketing Program amount (“**Grand Opening Marketing Fee**”) at a time that is sufficiently in advance of the scheduled opening of your dermani MEDSPA®. If we require that you pay the Grand Opening Marketing Fee to us, we will use the Grand Opening Marketing Fee to develop and implement the Grand Opening Marketing Program for your dermani MEDSPA®.

Initial Licensing Fee

Prior to opening the dermani MEDSPA®, you shall pay us our then-current one-time software licensing fee associated with computer software that we may require for use in your dermani MEDSPA® and/or are developing, utilizing, or enhancing for use in dermani MEDSPA®s as we deem necessary in our sole discretion (the “**Initial Licensing Fee**”). In any event, the Initial Licensing Fee shall not exceed \$2,500. This fee is currently Zero dollars with our current software.

ITEM 6 **OTHER FEES**

Type of Fee (Note 1)	Amount	Due Date	Remarks
Royalty	5% of Gross Revenue	Each Week, on or before the Wednesday of each week calculated on the Gross Revenue for the prior Week	See Note 2 for the definition of “Gross Revenue” and “Week.”
System Marketing Fee	Up to 2% of Gross Revenue, currently 0.25%	Same as Royalty	See Note 3 .
Local Advertising Spend	\$500 each month	Monthly	This is the minimum amount that you must spend each month on local advertising and marketing. You will pay this amount to various third parties, not us. We may recommend and/or require you to spend such local marketing expenditures in certain ways
Social Media/Technology Fee	Our then-current Social Media/Technology Fee, currently \$300 - \$450 per month (See Note 4)	Monthly	We reserve the right to increase the Social Media/Technology Fee by no more than twenty percent (20%) each year, which in any event the maximum required Social Media/Technology Fee shall not exceed \$500 each month. The current minimum required Social Media/Technology Fee is \$300, but you have the option to add on additional services with our designated supplier, which currently cost an additional \$150.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Software Fees	Our then-current software fee, which is currently expected to be \$400 per month (See Note 5)	As imposed	We reserve the right to collect the Software Fee in the same manner and/or frequency as we collect Royalty Fees, or as we otherwise prescribe in writing. We reserve the right to increase this fee upon notice to you.
Online Management Fee	The then-current fee, currently \$997 per month (See Note 6)	As imposed	We reserve the right to either collect the then-current Online Management Fee ourselves, or have you pay the then-current Online Management Fee directly to our designated vendor. We reserve the right to collect the Online Management Fee in the same manner and/or frequency as we collect Royalty Fees, or as we otherwise prescribe in writing. This fee may be increased upon notice to you.
Additional/ Refresher Training	Our then-current per-diem charges, currently \$500, plus our out-of-pocket costs (See Note 7)	Upon demand	The Operating Principal (as defined in Item 15), your manager, and/or other personnel to attend refresher training courses each year.
Insufficient Funds Fee	\$100	Upon demand	If there are insufficient funds in your account from which we will make a withdrawal by electronic funds transfer, then we have the right to charge you the fee. We may also resubmit the EFT payment request to the bank.
Late Payment/late report charge; Interest on Overdue Amounts	1.5% per month or the highest commercial contract interest rate the law allows	Upon demand	Only due if you don't pay us the amounts you owe us, or do not submit the required reports, on time. Interest will be charged only on overdue amounts and will start to accrue on the date when the payment was originally due.
Audit Costs	All costs and expenses associated with the audit, reasonable accounting and legal costs	Upon demand	Payable only if we audit because you did not submit sales statements or keep books and records, or if you underreport your sales or underpay your royalties by 2% or more. You will also have to pay interest and late fees on the underpayment.
Supplier Testing	Our then-current fee (currently, \$50 per hour), plus our	Upon demand, if incurred	If you propose a new supplier of products, and we inspect the supplier or test the supplier's products, we may charge you or the supplier for our costs in

Type of Fee (Note 1)	Amount	Due Date	Remarks
	costs		conducting those inspections or running those tests.
Transfer Fee	50% of our then-current initial franchise fee \$10,000 if you transfer an Area Development Agreement	One-half of the Transfer Fee shall be paid at the time you submit your request to us for the proposed transfer, and the balance shall be paid at the time the transfer is consummated or closes	The amount you pay at the time you submit your request to us is non-refundable, even if the transfer is not ultimately consummated. If the transfer is not consummated after we have provided our approval for the proposed transfer, then we have the right to require that you or the proposed transferee reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incurred in connection with the proposed transfer. The transfer fee under an Area Development Agreement is in addition to the transfer fees you must pay in connection with transferring each Franchise Agreement.
Renewal Fee	10% of then-current initial franchise fee	Before renewal	Payable if you choose to enter into our then-current Franchise Agreement for a successor term.
Relocation Fee	The lesser of \$5,000 or our costs and expenses	Upon our approval of your relocation	This fee is in consideration for the services we may provide in connection with relocating your dermani MEDSPA®.
Costs and Attorneys' Fees	Will vary under circumstances	Upon demand	Only if you are in default under the Franchise Agreement, in which case you must reimburse us for the expenses we incur (including reasonable attorneys' fees) as a result of your default and to enforce and terminate the agreement.
Mystery Shopper	Costs and expenses of program, which we estimate to be up to \$150 per month	Upon demand	We reserve the right to establish and maintain a mystery shop program, and either have you pay the designated supplier directly or collect the amounts directly from you on behalf of the designated vendors.

Type of Fee (Note 1)	Amount	Due Date	Remarks
Liquidated Damages	The average value of the Royalty Fees you paid or owed (per month) to us during the 12 months before the termination multiplied by (i) 24, being the number of months in 2 full years, or (ii) the number of months remaining during the term of the Franchise Agreement, whichever is lower	Upon demand	You must pay us liquidated damages if we terminate the Franchise Agreement for cause. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of the Franchise Agreement other than the Royalty Fees.
Insurance	Will vary under circumstances	Upon Demand	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a 10% administrative fee for our time incurred in obtaining the insurance.
Indemnity	Will vary under circumstances	As incurred	You must indemnify us, and reimburse us for our costs (including our attorneys' fees) if we are sued or held liable in any case having anything to do with your business operations.
Step-In Management Fee	Will vary under circumstances	As incurred	(See Note 8.)
Non-Compliance with System Standards	Our then-current fee, which may vary depending upon the specific required policy you violate	As incurred	Not including any monetary defaults, we may charge you our then-current non-compliance fee, as set forth in the Manual or otherwise, in the event you fail to fully comply with any of our then-required System Standards (as that term is defined in Item 8)
OSHA Compliance Fee	Then-current fee, currently \$125/month	Monthly	We may require you to pay this fee to us or directly to our designated approved supplier that will evaluate your Franchised Business and Medspa for compliance with OSHA.

Notes:

1. All fees are imposed by and are payable to us. All fees are uniformly applied to new system franchisees and are non-refundable. However, in cases and circumstances in which it may be appropriate or necessary to do so, we reserve the right to modified some of these fees for a particular franchisee. It is your sole responsibility to ensure your full compliance with applicable federal and state laws and regulations, including, without limitation, those regarding the payment of fees to us. We reserve the right to obtain payment from you for all fees due to us by way of an electronic fund transfer (or EFT) procedures, described in Note 2 below.

2. The royalty fee will be 5% of the Gross Revenue of the Franchised Business (the “**Royalty Fee**”) each Week during the term of the Franchise Agreement, including any renewal term.

“**Gross Revenue**” of the Franchised Business means all of the dermani MEDSPA®’s revenue generated from the sale of all medical spa and cosmetic services related to skin, cosmetic injectables, laser hair removal treatments, membership fees, and all other products and services offered at or from the dermani MEDSPA®, and all other income of every kind and nature related to, derived from, or originating from the dermani MEDSPA®, whether at retail or wholesale, including off-premises services, mobile clinics, and temporary locations (whether these sales are permitted or not), and proceeds of any business interruption insurance policies, whether any of the products or services are sold for cash, check, or credit, and regardless of collection in the case of check or credit; except that “Gross Revenue” excludes any tips received by staff or personnel who will provide the actual medical services, clients customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

We reserve the right to modify our policies and practices regarding revenue recognition, revenue reporting, and the inclusion or exclusion of certain revenue from “Gross Revenue”, as circumstances, business practices, and technology change. For example, and by way of illustration and not limitation, in the event new technologies and practices, such as “Groupon,” “Living Social” and other “deal-of-the-day” discounts, generate revenue for the dermani MEDSPA® that may not be associated with a particular sale of products, we may establish policies to identify which revenues are, and are not, part of Gross Revenue.

We require that you must pay your royalties and System Marketing Fund contributions on a weekly basis. For this purpose, the term “**Week**” means the period starting with the beginning of business on Monday and concluding at the close of business on the following Sunday (or, if the dermani MEDSPA® is not open on a Sunday, the immediately preceding business day), or any other period of time that we may designate. All payments must be made by electronic funds transfer (“**EFT**”), and you must establish an appropriate EFT and sign the EFT authorization forms that we specify. Currently, you must send us a report of Gross Revenue and other sales and operating data by close of business on Tuesday, for the Week ending the immediately preceding Sunday. We will draft from your designated bank account, per our EFT process on Wednesday. You must submit or deliver to us any and all reports, statements and/or other information on a timely basis, which may include electronically polled data that we obtain from your point-of-sale system. We may draft funds from your account based on the written or electronically delivered or polled reports. If you fail to make one or more payments on time, we may require that future payments be made by certified, bank, or cashier’s check, or another form of payment that we specify.

3. We may require you to contribute an amount equal to up to 2% of the Gross Revenue of the Franchised Business (the “**System Marketing Fee**”) toward the System Marketing Fund (the “**System Marketing Fund**”). The System Marketing Fee must be paid by you in the same manner as the Royalty Fee. Currently, you are required to contribute 0.25% of your Gross Revenue to the System Marketing Fund.

4. You are required to pay our then-current social media/technology fee (“**Social Media/Technology Fee**”). The Social Media/Technology Fee may be for developing, researching, maintaining, implementing, modifying, and/or upgrading technology used in connection with the System as we deem appropriate in our sole discretion, which may include, without limitation, membership applications or platforms, help desk fees for required software, user-based fees for an internal portal or benchmarking platform, website-related costs and expenses, social media templates, one email address per location and (additional email addresses can be purchased for an additional fee), membership applications or platforms, membership program related costs and expenses, and/or for any other technology-related expenses.

5. You shall pay us our then-current ongoing software fee (“**Software Fee**”) associated with licensing designated software, programs, applications, and/or other platforms, from us or our designee for the Franchised Business.

6. You shall pay the then-current online management fee (the “**Online Management Fee**”), currently \$997 per month, in connection with receiving online management services (“**Online Management Services**”). At our option, we may collect the Online Management Fee ourselves, or require you to pay it directly to our designated vendor. Our designated vendor will provide the Online Management Services to you, which may include establishing your “click through” subpage, establishing and maintaining your dermani MEDSPA’s approved social media accounts, managing pay per click campaigns (not inclusive of actual spend on such campaigns) and conducting search engine optimization (SEO), and other related services that we may recommend or require.

7. For any training that we provide to you and your personnel, you are responsible for expenses incurred while you and your personnel attend training, including salaries, benefits, travel, lodging, meals and other related expenses. We reserve the right to charge you for training additional personnel, for supplemental or additional training programs that we require or that you request, and for retraining persons who are repeating the course or replacing a person who did not pass. You must also pay our out-of-pocket expenses that we incur, including all of our travel, meal, and payroll expenses associated with providing the additional training.

8. If we determine in our sole judgment that the operation of your Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize us to operate your business for as long as we deem necessary and practical. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the step-in rights, including reasonable compensation and expenses for our representatives.

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A. Franchise Agreement

Type of Expenditure	Estimated Low Amount	Estimated High Amount	Method Of Payment	When Due	To Whom Payments to be Made
Initial Franchise Fee (1)	\$49,500	\$49,500	Lump sum	Upon signing Franchise Agreement	Us

Type of Expenditure	Estimated Low Amount	Estimated High Amount	Method Of Payment	When Due	To Whom Payments to be Made
Initial Training Fee	\$5,000	\$5,000	Lump Sum	Within 14 days of initial training.	Us
Initial Licensing Fee (2)	\$0	\$2,500	As incurred	As incurred	Us
Site Selection and Construction Oversight (3)	\$0	\$5,000	As agreed	As incurred	Suppliers
Architectural and MEP Plans (4)	\$5,000	\$12,000	As incurred	As incurred	Suppliers
Real Estate; Prepaid Rent, Utility, and Security Deposit (5)	\$20,000	\$40,000	Lump sum	Upon signing lease and as incurred	Landlord
Leasehold improvements (6)	\$30,000	\$150,000	As incurred	As incurred	Contractors
Signage (7)	\$5,000	\$15,000	Lump sum	As incurred	Suppliers
Furniture and Fixtures (8)	\$20,849	\$32,526	Lump sum	As incurred	Suppliers
dermani MEDSPA® Equipment (9)	\$94,689	\$199,450	Lump sum	As incurred	Computer suppliers and equipment suppliers
Initial Inventory (10)	\$30,000	\$40,000	As incurred	As incurred	Suppliers
Office Equipment, Computers and Supplies (11)	\$4,750	\$8,550	As incurred	As incurred	Suppliers
Business software (12)	\$545	\$1,000	As incurred	As incurred	Suppliers
Business licenses and permits	\$2,000	\$4,000	As incurred	As incurred	Various municipal agencies
Professional Fees	\$3,000	\$8,000	As incurred	As incurred	Attorneys, accountants and other professionals
Insurance (13)	\$4,500	\$12,000	As incurred	As incurred	Insurance carrier(s)

Type of Expenditure	Estimated Low Amount	Estimated High Amount	Method Of Payment	When Due	To Whom Payments to be Made
Travel and living expenses during training (14)	\$2,000	\$4,000	As incurred	During training	Third parties
Grand Opening Marketing (15)	\$20,000	\$20,000	As incurred	Within 60 days after opening of the dermani MEDSPA®	Us or advertising suppliers
Additional Funds (3 Months) (16)	\$30,000	\$60,000	As incurred	As incurred	Suppliers, employees and other creditors
Total Estimated Initial Investment (Note 17)	\$326,833	\$668,526			

The table above describes the estimated initial investment required for the construction and/or build-out of a Franchised Business and dermani MEDSPA® under a single unit Franchise Agreement. Please review this table in conjunction with the notes that follow.

Notes:

Please note that we do not offer direct or indirect financing to you for any items.

Except as described below, any amounts paid to us are nonrefundable unless otherwise noted below. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers.

1. Initial Franchise Fee. As discussed in Item 5, the Initial Franchise Fee for your first Franchised Business is \$49,500. The franchise fee must be paid when the Franchise Agreement is signed. If you are signing a Franchise Agreement for second or subsequent Franchised Business, the Initial Franchise Fee will be reduced by Ten Thousand Dollars (\$10,000).

2. Initial Licensing Fee. As discussed in Item 5, you shall pay us our then-current Initial Licensing Fee, which in any event shall not exceed \$2,500. Currently this is set at zero dollars.

3. Site Selection. We require you to either use our designated real estate broker when you are evaluating potential sites, or, if you use your own real estate broker, then you must use our designated real estate broker to oversee your site selection process. Likewise, we require you to either use our designated construction contractor when you are building out your dermani MEDSPA®, or, if you use your own contractor, then you must use our designated contractor to oversee your buildout. The low estimate assumes that you will use our designated real estate broker and contractor. The high estimate assumes that you will use your own real estate broker and contractor, and therefore pay our designated real estate broker and contractor additional fees for their services.

4. Architectural and MEP Plans. The low estimate assumes that mechanical, electrical, and plumbing (MEP) plans are already in place, and the high estimate assumes that both architectural and MEP plans will need to be prepared.

5. Real Estate; Site Evaluation; Prepaid Rent and Security Deposit. The prototypical dermani MEDSPA® is approximately 1,500 to 2,000 square feet in size. The cost per square foot for leasing commercial space varies considerably depending upon the location and market conditions affecting commercial property. We estimate the cost of leasing commercial space per square foot to be between \$20 and \$50 annually (although this figure can vary significantly from market to market). The amounts in the chart reflect our estimate for your payment of rent for the first three months of operations at the dermani MEDSPA®. You may also be required to pay prepaid rent and/or a security deposit in connection with leasing space for the operation of the dermani MEDSPA®. Landlords will vary in the amount they charge for a security deposit; from \$0 to as much as six months' rent. We have used a security deposit of one month's rent for the estimate. You should consult a real estate broker and/or other professional in your area to assess the typical leasing costs for your target market area.

6. Leasehold Improvements. You will need to construct improvements of, or "build out," the premises at which you will operate the Franchised Business and manage the dermani MEDSPA®. These improvements may include, for example, wiring, flooring, sheetrock, plumbing, paint, HVAC, lighting, and décor items which must be constructed according to our specifications. These costs are likely to vary depending upon the size, location, configuration, installation costs, and overall condition of the premises, and may be much higher, if you already have or wish to establish the dermani MEDSPA® in an area where special requirements of any kind (e.g., historical, architectural, or preservation requirements) will apply. A leasehold allowance covering a portion of the costs of constructing the leasehold improvements may be able to be obtained from the landlord. Any allowance will be negotiated between you and the landlord. We cannot estimate the amount, scope or type of allowance that may be available, if any, for a particular site or from any particular landlord. The figures in the chart are for the build-out of a "plain vanilla shell" location for a space that is approximately 1,500 to 2,000 square feet in size. The low estimate assumes that you will receive a tenant improvement allowance that covers the costs most improvements, whereas the high estimate assumes less allowance or is near the top end of the range that we recommend being your responsibility. If a franchisee acquires or leases existing retail space that may have operated a dermani MEDSPA® or as another type of business, the costs for retrofitting the space with the required leasehold improvements may be more or less than the figures in the chart. There are other variables regarding potential sites that are likely to be site-specific and may impact overall construction and/or operating costs, such as, for example, asbestos or other materials within walls of existing locations, special permitting rules and regulations, special HVAC requirements, or site-specific design criteria. These situations are site-specific and we cannot estimate the costs; a franchisee should evaluate those potential costs for any specific site that might be considered.

7. Signage. Signage includes the exterior store front signs as well as interior signage package and branding elements. However, the specific location where the dermani MEDSPA® will be located may have different requirements and regulations dictating the size, layout and illumination of the exterior signage for the dermani MEDSPA®. You will be required to abide by these regulations, and as a result may experience higher or lower costs for your exterior signage.

8. Furniture and Fixtures. The variation in the costs of furniture and fixtures is based on differences in size, configuration, and location of the dermani MEDSPA® site. Typical furniture and fixtures include chairs, desks, tables, carts, shelving, refrigerators, lobby and service furniture, and other trade dress that are not included as leasehold improvements.

9. dermani MEDSPA® Equipment. You must purchase certain types of equipment for the dermani MEDSPA® that will be necessary for the PC to offer the authorized and required services and products, such as a continuous motion diode laser, Intense Pulse Light equipment, microdermabrasion equipment, hydrfacial equipment, Skin Tightening Radiofrequency device, steamers, Calibration device, SkinPen® Microneedling package and other medical and non-medical equipment. The overall cost of the equipment

will vary based upon the size of the dermani MEDSPA® and the number of client rooms you will have available.

10. Initial Inventory & dermani MEDSPA® Supplies. You are required to purchase an opening inventory of goods and supplies from approved suppliers for the dermani MEDSPA®. These items include cosmetic injectables, skincare products, medical supplies, and non-medical supplies.

11. Office Equipment, Computers and Supplies. You are required to purchase certain computer hardware to operate your computer system, including the point-of-sale system. You must also purchase certain back-office equipment and supplies for the Franchised Business.

12. Business Software. You will need to obtain certain computer software and programs for the Franchised Business, which may include certain accounting, cloud based applications, recordkeeping and bookkeeping software and programs.

13. Insurance. The above chart estimates a deposit for three months' insurance premium for general liability insurance, errors and omissions coverage, professional liability and property insurance. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors. Workers' compensation insurance must be based on your anticipated payroll.

14. Travel and Living Expenses While Training. As described in Item 11, we provide initial training for up to a total of 4 people, which must include you or your Operating Principal, and your manager. You will need to arrange for transportation, lodging and food for yourself (or your Operating Principal) and for your manager during training. The cost will depend on the distance you must travel and the type of accommodations you choose.

15. Grand Opening Marketing. Under the Franchise Agreement, you must spend at least \$20,000 on the Grand Opening Marketing Program. You may choose to spend more than the required amount on Grand Opening Marketing and promotions. The Grand Opening Marketing Program must begin at least 60 days prior to opening your dermani MEDSPA®. Your Grand Opening Marketing Program must include the promotional elements we require, and we must approve of your Grand Opening Marketing Program before it is conducted. At our request, you must give us the money for your Grand Opening Marketing Program and we will conduct the Grand Opening Marketing Program on your behalf.

16. Additional Funds. You will need additional capital to support on-going expenses, such as payroll and utilities, insurance, licenses, inventory, security, repairs and maintenance, and miscellaneous expenses. The estimate includes payroll costs for onsite employees, but does not include a salary or draw for you or the Operating Principal. The estimate also includes pre-opening expenses such as organization expenses, and other service-related expenses. The estimate does not include Royalty or System Marketing Fee payments to us. We estimate that the amount given will be sufficient to cover on-going expenses for the start-up phase of the business, which we calculate to be 3 months. Also, your level of sales will impact your cash flow and the amount of working capital and additional funds that you may need during this start-up phase. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after.

You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established.

17. Total. In preparing the figures in this Item 7, we relied on the experience of the existing dermani MEDSPA®s that are owned and operated by affiliates, as well as information from franchises

granted and opened in 2020 and 2021. The figures in this Item 7 chart, including for example, leasehold improvements, dermani MEDSPA® equipment, furniture and fixtures, and signage, reflect our current branding and image standards. The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the dermani MEDSPA®; the length of time it may take to obtain permits and then build out the space for the dermani MEDSPA®; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen. To the extent a location will experience special circumstances, for example, unexpected construction costs, such as the discovery of and removal of hazardous materials, or excessive permitting and licensing issues, some of the costs could be higher than in the chart. You should review these estimates on your own, preferably with a business advisor of your own choosing. If you seek to open and operate multiple Franchised Businesses under an Area Development Agreement, the chart above shows the estimated initial investment for each dermani MEDSPA® that you develop.

B. Area Development Agreement (2-Pack)

Type of Expenditure	Estimated Low Amount	Estimated High Amount	Method Of Payment	When Due	To Whom Payments to be Made
Development Fee (Note 1)	\$89,000	\$89,000	Lump sum	Upon signing Development Agreement	Us
Initial Investment to Open the First Franchised Business and dermani MEDSPA® (Note 2)	\$277,333	\$619,026	See Chart A of this Item 7.		
Total Estimated Initial Investment	\$366,333	\$708,026	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of 2 Franchised Businesses, as well as the costs to open and commence operating your first Franchised Business for the first three months (as described more fully in Chart A of this Item 7). See Note 3.		

The table above describes the estimated initial investment required for the construction and/or build-out of an initial Franchised Business and dermani MEDSPA® under an Area Development Agreement for 2 Franchised Businesses. Please review this table in conjunction with the notes that follow.

Notes:

Please note that we do not offer direct or indirect financing to you for any items.

Except as described below, any amounts paid to us are nonrefundable unless otherwise noted below. For any amounts paid to third parties, the availability and conditions under which you may obtain refunds will depend on the terms offered by those third-party suppliers.

1. Development Fee. As discussed in Item 5, you must pay us a Development Fee equal to the Initial Franchise Fee for the first Franchised Business plus \$39,500 for each additional Franchised Business that is scheduled to be established under the Area Development Agreement. This chart details the Development Fee for the right to open and operate a total of 2 Franchised Businesses and dermani MEDSPA®, as that is the minimum commitment in order to enter into an Area Development Agreement. If you enter into an Area Development Agreement for more than 2 Franchised Businesses and dermani MEDSPA®, then the Development Fee will be higher.

2. Initial Investment to Open Initial Franchised Business and dermani MEDSPA®. This figure represents the total estimated initial investment required to open the initial Franchised Business and dermani MEDSPA® you agreed to open and operate under the Area Development Agreement. You will be required to enter into our then-current form of Franchise Agreement for initial Franchised Business you open under your Area Development Agreement. The range includes all the items outlined in Chart 7.A. of this Item, except for the \$49,500 Initial Franchise Fee (because it is included in the Development Fee). This estimate also does not include any of the other costs you will incur in opening any additional Franchised Business(es) and dermani MEDSPA®, that you are granted the right to open and operate under your Development Agreement.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

General

To insure that the highest degree of quality and service is maintained, you must operate the Franchised Business in strict conformity with the mandatory and suggested specifications, standards, operating procedures and rules as we may periodically prescribe in the Manuals or otherwise in writing (the “**System Standards**”). We periodically may modify System Standards, and you must implement any changes in System Standards within the time period we request, whether they involve refurbishing, remodeling, or upgrading the Premises or any other aspect of the Franchised Business, including, without limitation, any change in furniture, fixtures, décor, the computer system, or equipment.

At all times during the term of the Franchise Agreement, you must:

- maintain all of the fixtures, furnishings, equipment, decor, and signs that we prescribe from time to time in accordance with our System Standards;
- manage the PC so that it offers only those services and products that we require to be offered at the dermani MEDSPA® or for which we have given our written approval;
- stock and maintain all types of supplies, equipment and materials which we prescribe or are required by the PC, in quantities sufficient to meet reasonably anticipated customer demand;
- not deviate from our System Standards, unless you have received our prior written consent; and
- stop selling and offering for sale any services or products that we have later disapproved.

Notwithstanding the foregoing, we acknowledge and agree that the selection and use of any equipment and products used in connection with medical services provided by the PC to its clients will be subject to the PC’s approval based on the professional opinion of the PC’s physicians.

Designated, Specified or Approved Suppliers

You must buy all products, supplies, equipment, materials, services, and other products used or offered for sale at the dermani MEDSPA® only from suppliers (including manufacturers, distributors, and other sources) that meet our specifications in the Manuals and/or that we have approved in writing. You may not buy from any supplier that we have not yet approved in writing, and you must stop buying from any supplier who we approve, but later disapprove. We have the right to designate only one manufacturer, distributor, reseller and/or vendor for any particular item or service. We may be a supplier of any product or service, and we may be the sole approved supplier of any product or service.

The types of products and services that you must purchase or use from approved suppliers, designated sources, us or an affiliate, or according to our specifications, include (among other things): dermani MEDSPA® design and image items, such as décor, color schemes, signs, fixtures, and furniture; POS; medical equipment and supplies; computer hardware, software, and other technology platforms; mobile applications and programs; email addresses and hosting platforms; Online Management Services; construction contractors; real estate brokers; bookkeeping and accounting services; membership programs; insurance coverage; and retail products to be sold at the dermani MEDSPA®.

You must use our designated real estate broker to either be your real estate broker, or, if you elect to use your own real estate broker, then you must use our real estate broker to oversee your site selection process. If you use your own real estate broker, then you must still pay our designated broker their then-current fee in connection with providing their oversight services. Likewise, you must use our designated construction contractor to either be your contractor, or, if you elect to use your own contractor, then you must use our contractor to oversee your buildout. If you use your own contractor, then you must still pay our designated contractor their then-current fee in connection with providing their oversight services. We reserve the right to approve your real estate broker and construction contractor.

If you wish to purchase, lease or use any products that we have not previously approved, or you wish to purchase or lease from a supplier we have not previously approved, you must submit a written request for approval or you must request the supplier to do so. You must pay our then-current evaluation fee for each product or supplier you request that we evaluate, plus the costs we incur in connection with testing, inspecting, and evaluating the proposed product or supplier. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards in our sole discretion. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you in writing within 30 days after you have requested our approval, and you have provided all information that we might request to evaluate a supplier, whether the proposed product or supplier is, in fact, approved or disapproved. We are not required to make available to you or to any supplier our criteria for product or supplier approval. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier.

Required Purchases from Us or Our Affiliates

Except as provided in this Item, neither we nor our affiliates are currently required or the sole suppliers of any product or service used in the operation of the Franchised Business or management of the dermani MEDSPA®, but we reserve the right to designate ourselves or our affiliates as such in the future.

Currently, we are an approved, but not the only, supplier that offers optional medical or esthetician services training programs for staff. In the fiscal year ended December 31, 2022, we received \$2,550 (or 0.3% of our total revenue of \$851,031) from the sale or lease of products or service to franchises.

Additionally, except as described in this Item, neither we nor our officers maintain an ownership interest in any approved or designated supplier.

Required Purchases or Leases as Percentage of Overall Purchases or Leases

We estimate that your purchases from approved suppliers or according to our specifications will represent approximately 65% to 85% of your total purchases in the establishment of the dermani MEDSPA®, and 75% to 95% of your total purchases in the continuing operation of the dermani MEDSPA®.

Purchasing or Distribution Cooperatives and Purchase Arrangements

We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the dermani MEDSPA®s in our system. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that refusal would be in the best interests of the System or the franchised network of dermani MEDSPA®s.

No purchasing or distribution cooperatives exist as of the issuance date of this disclosure document.

Supplier Rebates and Allowances

We have the right to collect and retain any and all allowances, rebates, credits, incentives, or benefits (collectively, “**Allowances**”) offered by manufacturers, suppliers, and distributors to you, to us, or to our affiliates based upon your purchases of products and services from manufacturers, suppliers, and distributors. We or our affiliates will have all of your right, title, and interest in and to any and all of these Allowances. We or our affiliates may collect and retain any or all of these Allowances without restriction (unless otherwise instructed by the manufacturer, supplier, or distributor). For the fiscal year ended December 31, 2022, neither we nor our affiliates earned revenue from Allowances. We reserve the right to negotiate purchase arrangements, including price terms, with suppliers regarding various products. In doing so, we seek to promote the overall interests of our franchise system and our interests as the franchisor. Except as described in this Item 8, we do not provide any material benefits to you (such as preferential renewal rights or granting additional franchises) based on your use of designated or approved suppliers.

Insurance

Under the Franchise Agreement, you must obtain and maintain the insurance coverages and policies that we prescribe in the Manuals. Each insurance policy must be issued by an issuer we approve, who must have a rating of at least “A” in the most recent *Key Rating Guide* published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and must be licensed to do business in the state in which the dermani MEDSPA® is located. In addition, you must arrange for the PC to obtain and maintain professional liability coverage. All liability and property damage policies must name us as additional insureds and must provide that each policy cannot be cancelled unless we are given 30 days’ prior written notice. We may periodically increase required coverage limits or require additional or different coverage to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards and other relevant changes in

circumstances. You must deliver to us (and in the future maintain on file with us) valid and current certificates of insurance showing that all required insurance is in full force and effect.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	§ 2.1 in Franchise Agreement; Site Selection Addendum; §5 in Area Development Agreement	8 and 11
b. Pre-opening purchases/ leases	§§ 2.2, 2.3 and 2.4 in Franchise Agreement; not applicable for Area Development Agreement	5, 7, 8, and 11
c. Site development and other pre-opening requirements	§§ 2.2 and 2.5 in Franchise Agreement; § 5.3 in Area Development Agreement	8 and 11
d. Initial and ongoing training	§§ 4.1 to 4.3 in Franchise Agreement; §6 in Area Development Agreement	11
e. Opening	§ 2.5 in Franchise Agreement; § 3.3 in Area Development Agreement	11
f. Fees	§§ 3, 9.1 to 9.4, 12.3, and 13.2. in Franchise Agreement; §§ 2 and 7.3.8 in Area Development Agreement	5 and 6
g. Compliance with standards and policies/Operating Manuals	§§ 1.5, 4.5 and 8 in Franchise Agreement; § 5 in Area Development Agreement	8, and 11
h. Trademarks and proprietary information	§§ 5 and 6 in Franchise Agreement; § 1 in Area Development Agreement	13 and 14
i. Restrictions on products/ services offered	§ 8 in Franchise Agreement; not applicable for Area Development Agreement	8 and 16
j. Warranty and customer service requirements	Not applicable in Franchise Agreement; not applicable for Area Development Agreement	Not applicable
k. Territorial development	§ 1.3 in Franchise Agreement; §§ 1.1 and 3 in Area Development Agreement	12

Obligation	Section in Agreement	Disclosure Document Item
l. Ongoing product/service purchases	§§ 2.3 and 8.3 in Franchise Agreement; not applicable for Area Development Agreement	8
m. Maintenance, appearance and remodeling requirements	§§ 8.1 and 13.2 in Franchise Agreement; § 5.3 in Area Development Agreement	8
n. Insurance	§ 8.6 in Franchise Agreement; not applicable for Area Development Agreement	7 and 8
o. Advertising	§ 9 in Franchise Agreement; not applicable for Area Development Agreement	6 and 11
p. Indemnification	§§ 5.5 and 16.4 in Franchise Agreement; § 11.3 in Area Development Agreement	6
q. Owner's participation/management/staffing	§§ 1.2 and 8.5 in Franchise Agreement; § 1.5 in Area Development Agreement	15
r. Records/reports	§§ 3.2 and 10 in Franchise Agreement; § 5.4 in Area Development Agreement	11
s. Inspection/audits	§ 11 in Franchise Agreement; not applicable for Area Development Agreement	6 and 11
t. Transfer	§ 12 in Franchise Agreement; § 7 in Area Development Agreement	17
u. Renewal	§ 13 in Franchise Agreement; § 4.2 in Area Development Agreement	17
v. Post-termination obligations	§ 15 in Franchise Agreement; § 8.5 in Area Development Agreement	17
w. Non-competition covenants	§§ 7 and 15.4 in Franchise Agreement; § 9 in Area Development Agreement and Exhibit E thereto	17
x. Dispute resolution	§ 18 in Franchise Agreement; § 12 in Area Development Agreement	17
y. Other (taxes/permits)	§§ 3.7 and 17 in Franchise Agreement	7

ITEM 10

FINANCING

Neither we nor any of affiliate or agent of ours offers direct or indirect financing, or guarantees any of your notes, leases or obligations.

ITEM 11

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

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

Pre-Opening Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. Before you open your Franchised Business and begin managing the dermani MEDSPA®:

1. We will review the location you propose for the Premises and, if the site meets our requirements, we will approve the site. (Franchise Agreement, Section 2.1). We may, but are not obligated to, require that you utilize a real estate broker that we designate, approve or recommend to assist you in locating a site and/or negotiating lease terms for the Premises. Once we have approved your Premises, we will designate the boundaries of your Territory.
2. We will give you mandatory and/or suggested specifications and layouts for your Premises, which may include color schemes, specific furniture and medical equipment, as well as a planogram for a typical Medspa layout, including recommended office size and design, and required or recommended equipment and supplies. We may provide guidance to assist you in working with designated contractors and suppliers to complete the development and build out of the dermani MEDSPA®, and we may require you to use a contractor that we designate or approve. You must engage the services of a designer or architect to develop plans for the build-out of your dermani MEDSPA® that are specific to the Premises. You and your architect must make sure that the blueprints comply with all applicable laws, ordinances and building codes. You must submit all construction plans or final floor plan to us for our approval before you may begin the construction process. (Franchise Agreement, Section 2.2)
3. We will provide an initial training program for up to a total of 4 people, which must include you or your Operating Principal and your manager on the operation of the Franchised Business and management of the dermani MEDSPA®. (Franchise Agreement, Section 4.1) Our training addresses the management of the Franchised Business, and not the delivery of medical or health care services or products. Our training will not provide any advice, guidance or instruction to the PC or any Affiliated Physician regarding the specific skills they need to perform the medical services. (Franchise Agreement, Section 4.2)
4. We will, at our own cost, send one of our representatives to the Franchised Business for up to two days to assist with the opening of the dermani MEDSPA®. We will provide this opening assistance and training at our expense, but if you request additional days of on-site assistance you must reimburse our costs for the additional days, including our per diem fee for our representative and the additional out-of-pocket expenses our representative incurs. (Franchise Agreement, Section 4.1) If you are opening your second or later Franchised Business, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.

5. During the term of your Franchise Agreement we will loan you (or give you electronic access to) one copy of our Manual, which may include audio or video files or recordings, compact disks, computer software, other electronic media, information distributed electronically or via the Internet or our extranet (if one is developed) and/or written materials. We may modify the Manual periodically to reflect changes in System Standards and other guidance and requirements regarding the operation and management of a Franchised Business. (Franchise Agreement, Section 4.4)

6. We will assist you in developing the Grand Opening Marketing Program; you will be responsible for the cost of this program. (Franchise Agreement, Section 9.3)

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your dermani MEDSPA®.

We are required under the Area Development Agreement to provide certain assistance and service to you. This includes:

1. We will furnish to you site selection guidance, including our minimum site characteristics for a location for your dermani MEDSPA®, and any site selection counseling and assistance we may deem advisable. (Area Development Agreement, Section 5.1)

2. Before opening your first dermani MEDSPA® under the Area Development Agreement, we will provide you (or if you are a corporation, partnership, limited liability company, or limited liability partnership, your Operating Principal of the area development business and who has been previously approved by us) and one full-time manager of your operations our initial training program. (Area Development Agreement, Section 5.4)

Continuing Obligations

We are required by the Franchise Agreement to provide certain assistance and service to you. During the operation of your Franchised Business:

1. We may conduct, as we deem advisable, periodic inspections of the Franchised Business and dermani MEDSPA®. (Franchise Agreement, Section 11)

2. We may choose to provide refresher additional training programs, as we deem appropriate. (Franchise Agreement, Sections 3.1 and 5.5)

3. We will advise you regarding the Franchised Business's operation based on your reports to us and/or our direct or indirect observations, and we will provide guidance to you concerning: (a) standards, specifications, and operating procedures and methods regarding the operations of the Franchised Business; (b) advertising and marketing materials and programs; (c) employee training and recruiting programs; and (d) administrative, bookkeeping, and accounting procedures. (Franchise Agreement, Section 4.3)

4. We will administer the System Marketing Fund as stated in the Franchise Agreement and as described below in this Item 11. (Franchise Agreement, Section 3.6)

5. We will provide guidance in our Manual, in bulletins or other written materials and/or by electronic media. (Franchise Agreement, Section 4.3)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the dermani MEDSPA®.

Site Selection

If you do not have a location for the dermani MEDSPA® that we have accepted when you sign the Franchise Agreement, then after you sign the Franchise Agreement you will have 6 months to locate a site for the dermani MEDSPA® and submit to us all of the information we require to evaluate your proposed site. We may provide you with general site selection criteria to assist you in locating a prospective site for the dermani MEDSPA®. The Franchised Business and the dermani MEDSPA® must be located at, and operated from, the same site. We typically do not own the premises of a dermani MEDSPA® and lease it to a franchisee.

You shall submit to us in the form we prescribe a description of the proposed site of the dermani MEDSPA®, including evidence reasonably satisfactory to us demonstrating that the site satisfies our site selection guidelines, together with such other information and materials as we may reasonably require. We will have 30 days after we receive this information and materials from you to approve or not approve, in our sole discretion, the proposed site as the location for the dermani MEDSPA®. No site may be used for the location of the dermani MEDSPA® unless it is first approved in writing by us. Our approval of a location for the dermani MEDSPA® is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Franchised Business or the dermani MEDSPA® will be profitable. Our acceptance of a location for the dermani MEDSPA® only signifies that the location meets our then-current minimum criteria for a dermani MEDSPA®. If you fail to obtain our approval for a proposed site and open within the requisite time period, then we may terminate the Franchise Agreement.

You must execute a lease for the Premises which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. We reserve the right to review and approve the terms of the lease or purchase agreement for the Premises, and we reserve the right to require that certain provisions be included in any lease for the Premises. You shall provide us with a copy of the executed lease or purchase agreement. You must also execute a collateral assignment of lease, attached to the Franchise Agreement as Exhibit B.

We estimate that the time period between beginning to find a site for the Premises and the start of operations at the dermani MEDSPA® will be approximately 4 months. Factors which may affect this time period include your ability to locate a site, negotiate a lease, secure financing, obtain necessary permits and licenses, construct or build-out facilities for the dermani MEDSPA®, and obtain and install fixtures and equipment, and obtain supplies.

You are required to open and commence operations of the dermani MEDSPA® within 12 months of executing the Franchise Agreement (the “**Opening Date**”). If you do not open the dermani MEDSPA® by the Opening Date, then we may terminate the Franchise Agreement or, in our sole discretion, provide you with an extension of time.

For each Franchised Business to be developed under the Area Development Agreement, we reserve the right to require that you submit to us, in the form that we specify, site approval forms and data that we specify, which may include a copy of a site plan, financial information and any other materials that we may require, together with an option contract, a letter of intent, term sheet, or other evidence satisfactory to us which describes your favorable prospects for obtaining the site, and any other information and materials that we may reasonably require. No site will be deemed approved unless it has been expressly approved by us in writing. We reserve the right to provide guidance to assist you in working with designated contractors and suppliers to complete the development and build out of the dermani MEDSPA®s you will manage. If

you sign an Area Development Agreement, then the selection and approval of a site that may become the Premises under a Franchise Agreement entered into under the Area Development Agreement will be governed by the Area Development Agreement and our then-current site review and approval procedures set forth in the Manuals. In addition, the time frames and time limits described in the Development Schedule, and not those in the site selection provisions of the Franchise Agreement, will apply to the opening of dermani MEDSPA®s under the Area Development Agreement.

We reserve the right to designate third parties to provide franchisees and developers with some of the site selection and site evaluation assistance described above and in the Franchise Agreement and the Area Development Agreement. In addition, we reserve the right to require that you utilize a real estate broker that we designate, approve or recommend to assist you in locating a site and/or negotiating lease terms for the Premises.

Training

At least 14 days before commencing operations, you, or your Operating Principal, and your manager must attend and successfully complete, to our satisfaction, the initial training program that we offer. You may also have up to 2 additional employees attend the initial training program, for a maximum of 4 individuals. You must pay the Initial Training Fee, which covers the cost of up to 4 people to attend the same initial training program, within 14 days attending the initial training program. Any other individuals that attend our initial training program must pay our per diem fee.

You or your Operating Principal and your manager must complete the initial training program on the operation of the Franchised Business and management of a dermani MEDSPA® to our satisfaction. If you, your Operating Principal or your manager fail to complete the initial training to our satisfaction, then you, the Operating Principal or the manager may repeat the course or send a substitute to complete the next available training program. We reserve the right to charge you for substitute personnel that attend the next training program. If we determine that you, your Operating Principal or your manager cannot complete initial training to our satisfaction, we may terminate the Franchise Agreement. Among the current criteria for satisfactory completion of training are attendance at all training classes, passing all interim and final tests and exams, and demonstrating a capability and willingness to comply with System Standards. You are solely responsible for all travel, meals, lodging and payroll expenses associated with sending attendees to our training programs.

We will not provide any training to the PC or Affiliated Physicians, including estheticians or laser practitioners, on the specific skills they need to perform the medical services. It is your and the PC's full responsibility to ensure that the individuals performing any medical services are properly trained and have all required licenses and certifications. We reserve the right to require individuals providing certain service, including, without limitation, estheticians, to attend and successfully complete training offered by an approved or designated third-party vendor.

Prior to the opening of the Franchised Business, we will, at our cost, send one of our representatives to the Franchised Business for a period of up to 2 days to assist with pre-opening and opening of the Franchised Business. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then-current per diem fee and out-of-pocket expenses. We reserve the right to reduce the duration of our representative's visit or to not provide opening assistance for your second or subsequent Franchised Business.

If, at any time during the term of the Franchise Agreement, we learn or determine that a person is regarded as no longer complying with our standards and procedures, then we may require that person satisfactorily complete training or a re-training program. We reserve the right to charge for re-training

personnel. In addition, all management personnel and other personnel working at the Franchised Business must satisfactorily complete all state and local government required training and must meet all required licensing and certification requirements.

The location(s) of the training will be at locations that we specify, including our headquarters in Windermere, Florida and our training facilities in Duluth, GA. The following chart outlines our initial training program:

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Tour of dermani Medspa facility	0.5	0	Our corporate office in Windermere, Florida, or any other location we specify
The dermani Medspa Core Values, History and Mission	0.5	0	Our corporate office in Windermere, Florida, or any other location we specify
Overview of the Relationship with the Franchisor	0.5	0	Our corporate office in Windermere, Florida, or any other location we specify
Pre-Opening Procedures Overview—Address Questions	2.5	0	Our corporate office in Windermere, Florida, or any other location we specify
Human Resources & Training Employees	2	1	Our corporate office in Windermere, Florida, or any other location we specify
Daily Procedures—opening, closing, ongoing	2	2	Our corporate office in Windermere, Florida, or any other location we specify
Client Service Standards	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Client Flow and Services	4	4	Our corporate office in Windermere, Florida, or any other location we specify
Client Membership Management	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Product Knowledge and Managing Retail and Membership Offerings	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Transacting Sales and Using the POS	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Required Cleaning and Maintenance	1	1	Our corporate office in Windermere, Florida, or any other location we specify

Subject	Hours of Classroom Training	Hours of On the Job Training	Location
Safety and Security	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Managing Goal Setting and KPIs	1	2	Our corporate office in Windermere, Florida, or any other location we specify
Inventory Management	1	1	Our corporate office in Windermere, Florida, or any other location we specify
Operational and Franchise Reporting	2	2	Our corporate office in Windermere, Florida, or any other location we specify
Total	22	18	

Our training program is conducted under the supervision and direction of Harvey Hillyer and Allison Hillyer. Harvey has been with us since our inception and has over 9 years' experience in the medical spa industry. Allison also has been with us since our inception and has 20 years' experience in the medical spa industry.

Our initial training program will take a period of time that is approximately one week. We do not currently have a set training schedule, but our initial training described above will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the initial training program. The initial training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. Our training personnel may utilize other employees to assist them with all aspects of training.

Advertising and Marketing

We may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all dermani MEDSPA® franchised businesses operating under the System. You must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by us for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by us will be final and binding upon you.

We may, from time to time, incorporate into the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Marks and which your Franchised Business, along with other dermani MEDSPA® franchised businesses, will be required to offer and sell. This activity, referred to as "cobranding", may involve changes to the Marks and may require you to make modifications to your Premises and the furniture, fixtures, equipment, signs and trade dress of your Franchised Business or dermani MEDSPA®. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that program at your Franchised Business and dermani MEDSPA® at the earliest commercially reasonable time and to execute any and all instruments required to do so.

The System Marketing Fund

We have established and currently maintain a System Marketing Fund for the enhancement and protection of the dermani MEDSPA® brand and Marks. You will be required to pay a System Marketing Fee each Week in an amount we specify up to 2% of your Gross Revenue, and we or our designee will maintain and administer the System Marketing Fund as follows (Franchise Agreement, Section 9.2):

1. The System Marketing Fund, all contributions thereto and any earnings from the System Marketing Fund shall be used exclusively (except as otherwise provided below), in our sole discretion, to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including, without limitation, the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer membership, loyalty and gift card programs; customer retention programs; customer surveys and mystery shopper programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more Websites devoted to the System, the Proprietary Marks and/or the “dermani MEDSPA®” brand; and providing promotional and other marketing materials and services to the Franchised Businesses or dermani MEDSPA®s operated under the System. The System Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we shall have the right to determine will promote general public awareness and favorable support for the System.

2. We will account for the System Marketing Fund separately from our other funds and monies and not use the System Marketing Fund for any of our general operating expenses. However, we may use the System Marketing Fund to pay administrative costs of the System Marketing Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the System Marketing Fund, and we may use the System Marketing Fund to pay the reasonable salaries and benefits of personnel (including our personnel) who manage and administer the System Marketing Fund. We may use the System Marketing Fund to pay for other administrative costs, travel expenses of personnel while they are on System Marketing Fund business, meeting costs, overhead concerning System Marketing Fund business, and other expenses that we incur in activities reasonably related to administering or directing the System Marketing Fund and its programs. We may use money from the System Marketing Fund for collecting the System Marketing Fee (including attorneys’, auditors’ and accountants’ fees and other expenses incurred in connection with collecting any System Marketing Fee). If we use a portion of the System Marketing Fund toward the cost to develop and maintain one or more Websites (as defined in this Item 11 below), any of them may have a section relating to our franchise opportunity, and all advertising and promotional materials may reflect the availability of

dermani MEDSPA® franchises. Otherwise, we do not use System Marketing Fund monies for advertising that is principally a solicitation for the sale of franchises.

3. The System Marketing Fund will not be our asset. Although the System Marketing Fund is not a trust, we will hold all System Marketing Fund contributions for the benefit of the System, the dermani MEDSPA® brand, and the contributors, and use contributions only for the purposes described in the Franchise Agreement. We do not owe any fiduciary obligation to you for administering the System Marketing Fund or any other reason. The System Marketing Fund may spend in any fiscal year more or less than the total System Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on System Marketing Fund contributions to pay costs before using the System Marketing Fund's other assets.

4. We will prepare an annual, unaudited statement of System Marketing Fund collections and expenses. The statement is available for your review upon written request 120 days after our fiscal year end. We may have the System Marketing Fund audited annually, at the System Marketing Fund's expense, by an independent certified public accountant. We may incorporate the System Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section.

5. Although we may use the System Marketing Fund, or portions of the monies in the System Marketing Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Franchised Businesses and dermani MEDSPA®s, we cannot and do not represent or ensure that System Marketing Fund expenditures will be made in or affect any specific geographic area, or will be proportionate or equivalent to System Marketing Fund contributions by Franchised Businesses operating in that geographic area. We do not guarantee or assure that any dermani MEDSPA® franchised business will benefit directly or in proportion to its System Marketing Fund contribution from the brand enhancement activities of the System Marketing Fund or the development of advertising and marketing materials or the placement of advertising and marketing.

6. We have the right to use collection agents and institute legal proceedings to collect System Marketing Fund contributions at the System Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the System Marketing Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the System Marketing Fund.

7. Although the System Marketing Fund is intended to be perpetual, we may terminate the System Marketing Fund at any time. The System Marketing Fund will not be terminated until all monies in the System Marketing Fund have been spent. If we terminate the System Marketing Fund, we have the right to reinstate it at any time and you must again contribute to the System Marketing Fund. Any reinstated System Marketing Fund will be maintained as described herein.

Our current policy is that we or our affiliates that operate dermani MEDSPA®s will contribute to the System Marketing Fund at then-current rate that our franchisees are required to contribute as set forth in our then-current and effective form of Franchise Disclosure Document.

We established our System Marketing Fund in 2020 and began assessing a System Marketing Fee of 0.25% of Gross Revenues. In the fiscal year ended 2022, the total amount of the System Marketing Fund that was spent was \$2,350, of which 100% was spent on website and software costs.

Online Management Services

We also currently require you to pay the then-current Online Management Fee, currently \$997 per month, in connection with receiving the Online Management Services. At our option, we may collect the Online Management Fee ourselves, or require you to pay it directly to our designated vendor. Our designated vendor will provide the Online Management Services to you, which may include establishing your website “click through” subpage, establishing your dermani MEDPSA®’s approved social media accounts, establishing a reputation management plug in for your clients, managing your Adwords and social media ad campaigns (you will have to pay additional for the actual ad words and social media budget spend) and conducting SEO, and other related services that we may recommend or require. You may be required to sign a subscription agreement with our designated vendor in order to receive the Online Management Services.

Local Advertising and Marketing

In addition to the System Marketing Fee and Online Management Fee, we also require that you spend at least \$500 each month on local advertising and marketing. This minimum requirement of \$500 each month for local advertising and marketing may not be sufficient in all cases to develop adequate exposure to the services offered by the dermani MEDSPA®, and it may be necessary for you to supplement this amount with additional advertising and promotional expenditures and efforts. We may recommend and/or require you to spend such local marketing expenditures in certain ways, for example, on targeted online advertisements, Google Adwords, or in other advertising areas, in accordance with our Manual or we otherwise set forth in writing. Within 30 days of our request, you must provide us with proof of your local advertising and marketing expenditures to our satisfaction. (Franchise Agreement, Section 9.4)

All advertisements and marketing materials must comply with our then-current standards and specifications, and we must approve all marketing materials before you use them. Except as described under the heading “Website” in this Item 11 below, you must not advertise or use our Marks in any fashion on the internet, world wide web or via other means of advertising through telecommunication, without our express written consent.

Although you can set your own prices and rates for the products and services you provide, we can specify minimum and maximum advertising prices (subject to applicable law).

All copyrights in and to marketing and promotional materials you develop (or that are developed for you) will become our sole property.

Cooperative

You may be required under the Franchise Agreement to join and contribute to a regional advertising and marketing cooperative (a “**Cooperative**”), if one is formed for the area in which the dermani MEDSPA® is located. We may, in our discretion, create a Cooperative in any area, or we may approve the creation of such a Cooperative, and establish the rules and regulations for each Cooperative. Immediately upon our request, you must become a member of the Cooperative for the area in which some or all of your Territory is located. The Franchised Business will not be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make contributions to it in an amount as agreed upon by the Cooperative members or as we may prescribe. You must contribute such amounts at the times and in the manner as determined by majority vote of the Cooperative members. Any funds contributed to a Cooperative will be credited against your local marketing obligation; provided, however, that if your contributions to a Cooperative are

less than your local marketing requirement, you must still spend the difference locally. The following provisions apply to each Cooperative (if and when organized):

1. Cooperatives will be established, organized, and governed in the form and manner that we have approved in advance. Unless we specify otherwise, the activities carried on by each Cooperative will be decided by a majority vote of its members. Any dermani MEDSPA®s that we or our affiliates manage or operate in the region or area in which a Cooperative has been established will have the same voting rights as those dermani MEDSPA®s owned by franchisees. Each dermani MEDSPA® shall be entitled to cast one vote;
2. Cooperatives will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized promotional materials for use by the members in local advertising and promotion.
3. Cooperatives may not use marketing, promotional plans, or materials without our prior written approval, as described below.
4. Cooperative may require its members to periodically contribute to it in such amounts as it determines. dermani MEDSPA®s owned and operated by us or our affiliates that are members of the Cooperative shall contribute to the Cooperative in the same amount as other members;
5. You must submit your required contribution to the Cooperative at the same time as payments are required for royalties and the System Marketing Fee, together with the statements and reports that may be required by us or by the Cooperative, with our written approval. If requested by us in writing, you must submit your payments and reports for the Cooperative directly to us and we will distribute the money and reports to the Cooperative.
6. Although, if established, a Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Cooperative. A Cooperative will not be terminated, however, until all monies in that Cooperative have been expended for marketing or promotional purposes. (Franchise Agreement, Section 9.5)

There are no Cooperatives currently in existence as of the issuance date of this disclosure document.

Grand Opening Marketing Program

As discussed in Items 5 and 7, in addition to (and not in place of) the System Marketing Fees and local marketing requirement, you must spend at least \$20,000 on the Grand Opening Marketing Program. We will collaborate with you to develop the Grand Opening Marketing Program. Your Grand Opening Marketing Program must include the promotional elements we require, and we must approve of your Grand Opening Marketing Program before it is conducted. We reserve the right to require that you pay to us a Grand Opening Marketing Fee before your dermani MEDSPA® is scheduled to open, so that we may implement the Grand Opening Marketing Plan on your behalf. The Grand Opening Marketing Program must commence at least 60 days before your dermani MEDSPA® opens and will be completed within 60 days after the opening of your dermani MEDSPA®, unless we designate a different time period for you to conduct it. You may spend any additional sums you wish on opening advertising. (Franchise Agreement, Section 9.3)

Franchisee Advisory Council

We may, in our discretion, form a franchisee advisory council to work with us to improve the System, the products and services offered by dermani MEDSPA®, advertising conducted by the System Marketing Fund, and any other matters that we deem appropriate. If one is formed, it will act solely in an advisory capacity, and will not have decision making authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

If formed, an advisory council may be comprised of our representatives and franchisee representatives and all franchisees are required to participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives that participate in the advisory council. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

No franchisee advisory councils exist as of the issuance date of this disclosure document.

Website

We alone may establish, maintain, modify or discontinue all Internet, World Wide Web and electronic commerce activities pertaining to the System. We have established one or more Websites, and we may design and provide for the benefit of the dermani MEDSPA® a “click through” subpage at our Website for the promotion of the dermani MEDSPA®. The term “**Website**” includes, without limitation, pages or other communications that can be access through the Internet, World Wide Web, social media and networking sites (such as Facebook, LinkedIn, Twitter, Instagram, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools), blogs, vlogs, and other applications.

If we establish one or more Websites or other modes of electronic commerce and if we provide a “click through” subpage at the website(s) for the promotion of the dermani MEDSPA®, we may require you to provide us or our designated vendor with updated copies, photographs and news stories about your Franchised Business and the dermani MEDSPA® in accordance with our standards and specifications as set forth in the Manual or otherwise. We reserve the right to specify the content, frequency and procedure you must follow for updating your “click through” subpage, and to require you to use designated or approved suppliers for the establishment, use, maintenance, and/or updating such “click through” subpage.

You are not permitted to promote the dermani MEDSPA® in any manner on any Websites without our prior written consent, as that promotion is advertising and trademark use that is subject to our review and approval. However, we may require you to establish and maintain social media pages or profiles, which may include, without limitation, Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, Yelp, Google Business, or any other social media and/or networking site we designate. You must comply with our System Standards regarding the establishment, use, appearance, maintenance, and updating of social media pages and profiles. We reserve the right to require you to use designated or approved suppliers for the establishment, use, maintenance, and/or updating of such Websites or in connection with the Online Management Services. We reserve the right to conduct collective/national campaigns via local social media on your behalf.

We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any Website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

Annual Meetings

We may choose to hold an annual meeting of our franchisees to provide additional training, introduce new products or services that dermani MEDSPA®s will provide, changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you, your Operating Principal, your manager, and/or other personnel. In any event the annual meeting will not exceed 3 days each year. We will not charge you a fee to attend the meeting, but you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting.

Computer Systems

We have the right to specify or require that certain brands, types, makes, and/or models of communications equipment, computer systems, hardware, and software (including cloud based software systems) be used by, between, or among Franchised Businesses, and between and among your Franchised Business and us, our designee and/or you, including without limitation: (a) computer hardware and software, (b) cloud based software systems, applications, and programs; (c) back office systems; (d) point-of-sale (or POS) systems (defined below); (e) membership programs; (f) gift cards and gift card programs; (g) physical, electronic, and other security systems; (h) printers and other peripheral devices; (i) archival back-up systems; and (j) internet access mode (e.g., form of telecommunications connection) and speed (collectively, the “Computer System”).

You must purchase the computer hardware and software that we specify and which may include the capability to communicate electronically with our computer system. We currently require that you purchase the POS System that we have approved for use in dermani MEDSPA®, which is estimated to cost \$59 per terminal. You are also required to pay us our then-current Software Fee, currently \$400 per month, associated with licensing designated software, applications, and/or other platforms from us or our designee for the Franchised Business. The cost of the computers and POS System is currently expected to be approximately \$6,000.

You must also purchase at least one email address from our designated and approved vendor for use in connection with your Franchised Business and dermani MEDSPA® in accordance with our standards and specification. Each email address currently costs \$16 per month per email address. One email address is included in your monthly Social Media/Technology Fee charge.

We reserve the right to independently access and obtain data and other information from your Computer System. There is no contractual limitation on our right to receive this information. We reserve the right to require you to bring any computer hardware and software, or related peripheral equipment, communications systems, into conformity with our then-current System Standards for new franchised businesses or dermani MEDSPA®s. We have no obligation to assist you in obtaining hardware, software or related services and there are no contractual limits on the frequency or cost of your obligations to obtain these upgrades. We estimate that you will spend approximately \$1,000 annual on maintenance and support contracts for your Computer System, which includes any upgrade.

You must sell or honor gift cards and memberships only in accordance with our written standards. Future gift card or membership programs may require that you purchase and install software, hardware and other items needed to sell and process gift cards or memberships, as we may specify in the Manuals or otherwise communicate to you in writing or through electronic or other formats. You may also be required to pay fees to a third-party vendor to administer the gift card or membership programs.

Manuals

The table of contents of the Manuals is attached to this disclosure document as Exhibit H. The total number of pages in the Manuals is 282.

ITEM 12 **TERRITORY**

Franchise Agreement

You must open and operate the Franchised Business and manage the dermani MEDSPA® at a single agreed-upon location. You may not relocate your Premises without our prior written consent. We will consider your request, and will likely consider factors similar to factors that we consider and evaluate when making decisions regarding a request for approval of a new dermani MEDSPA® site. You may also be required to pay a relocation fee in connection with relocation the Premises.

During the term of the Franchise Agreement, and except as otherwise provided in that agreement, we will not establish nor license anyone else to establish, another dermani MEDSPA® at any location within the Territory that is designated in your Franchise Agreement. The Territory will be based on a particular area surrounding the dermani MEDSPA®. The size of the Territory granted will vary from franchise to franchise, but, except in unusual circumstances, will be the lesser of a 2-mile radius or a population of 75,000 individuals. We will designate the Territory after you propose, and we approve, the Premises for each dermani MEDSPA®. The Territory specified in the Franchise Agreement is a protected territory, but that protection, is limited. Specifically, we will have the right (among other things), on any terms and conditions that we deem advisable, and without granting you any rights, to do any or all of the following:

1. the right to operate, and to grant others the right to operate, dermani MEDSPA®, Franchised Businesses and similar medical management businesses, or similar medspas or medical centers under different names or marks located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Premises or the Territory;
2. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services that are different from the products or services offered at dermani MEDSPA®s through similar or dissimilar channels of distribution (including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale), at any locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;
3. the right to acquire the assets or ownership interests of one or more businesses that operate, and/or has granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with dermani MEDSPA®s and Franchised Businesses related to dermani MEDSPA®, and/or the right to be acquired by a competing medical business or medical management business, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory, provided, however, that if we acquire, or are acquired by, such a competing business or chain, we will not establish or grant franchises or licenses to establish new or additional competing businesses under the Marks or the acquired chain's marks in your Territory, although we may rebrand such existing businesses in your Territory to use the Marks and the System, and it is expressly acknowledged by you and us that any

such business operations of the same or similar business that existed or operated at the time of such acquisition or transaction shall not constitute a breach of the Franchise Agreement;

4. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Franchised Businesses and dermani MEDSPA®s, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Territory; and

5. the right to operate, and to grant others the right to operate, Franchised Businesses and similar medical management businesses or similar medspas or medical centers, in non-traditional or captive locations, within or outside of the Territory, including, without limitation, in mobile clinics or limited service temporary locations (such as at a “health fair” or at a convention).

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.

You may not offer or sell products or services authorized under the Franchise Agreement through any other means, including without limitation, through delivery, satellite locations, temporary locations, via telephone, mail order, the Internet, or through any electronic media, without our prior written approval, and only according to our policies as they may be developed and/or modified periodically. When a client purchases a membership from one franchisee and then receives services from another franchisee, the client’s payment for services are allocated between the two franchisees in accordance with our then-current policies as set forth in our Manual or otherwise in writing. You may not offer or sell any products or services from any location other than your Premises.

The Franchise Agreement (and the Area Development Agreement) do not require that we pay any compensation for soliciting or accepting orders for products or services within a franchisee’s Territory or a developer’s Development Area.

The continuation of your territorial protection during the initial term of the Franchise Agreement does not depend on the achievement of any particular sales volume, market penetration, or other contingency. If you default under the Franchise Agreement, we reserve the right to undertake certain actions in lieu of termination of the Franchise Agreement, including modifying, or eliminating completely, the Territory.

If you execute a successor Franchise Agreement (the “**Successor Franchise Agreement**”) for an additional term, we reserve the right to re-evaluate your then-existing Territory according to certain demographics, including population. Since your Territory includes a certain minimum population, your Territory under the Successor Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your successor Territory similar to the target demographics of then-current new franchises being granted. A re-evaluation of your Territory may result in your successor Territory being smaller or larger than your original Territory. We cannot guarantee that you will achieve any particular level of success with the renewal Territory or that your results will be the same as or similar to your results from operating in the original Territory. This is applicable only if your Territory includes a minimum population, as described above.

Area Development Agreement

As described in Item 1, if you sign an Area Development Agreement, you will receive a Development Area in which you must develop multiple Franchised Businesses. The Development Area

may be all or part of a Metropolitan Statistical Area (or “MSA”) Your rights within the Development Area are non-exclusive, and we may award the same Development Area to multiple area developers, however, we will not sell the right to develop more dermani MEDSPA®s than the total number of available territories available in the Development Area. You will not receive an exclusive territory under your Development Agreement. You may face competition from other franchisees, from outlets that we control, or from other channels of distribution or competitive brands that we control.

Once you have secured an approved site for a given dermani MEDSPA® under a Franchise Agreement to fulfill your development obligations under your Development Agreement, we will grant you a Territory around that dermani MEDSPA® wherein you will have territorial protection as previously discussed in this Item 12.

We will retain all other rights, and therefore we retain the right (among others), and without granting to you:

1. the right to operate, and to grant others the right to operate, Franchised Businesses, dermani MEDSPA®, and similar medical management businesses or similar medspas or medical centers under different names or marks located anywhere within or outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to any of your dermani MEDSPA®s or the Development Area;
2. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services that are different from the products or services offered at dermani MEDSPA®s through similar or dissimilar channels of distribution (including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale), at any locations inside or outside the Development Area under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;
3. the right to acquire the assets or ownership interests of one or more businesses that operate, and/or has granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with dermani MEDSPA®s and Franchised Businesses related to dermani MEDSPA®, and/or the right to be acquired by a competing medical business or medical management business, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Development Area, and if we acquire, or are acquired by, such a competing business or chain, we may establish or grant franchises or licenses to establish new or additional competing businesses under the Marks or the acquired chain’s marks in your Development Area, and we may rebrand such existing businesses in your Development Area to use the Marks and the System, and it is expressly acknowledged by you and us that any such business operations of the same or similar business that existed or operated at the time of such acquisition or transaction shall not constitute a breach of the Development Agreement;
4. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Franchised Businesses and dermani MEDSPA®, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Development Area; and
5. the right to operate, and to grant others the right to operate, Franchised Businesses, dermani MEDSPA®, and similar medical management businesses or similar medspas or medical centers, in non-traditional or captive locations, within or outside of the Development Area, including,

without limitation, in mobile clinics or limited service temporary locations (such as at a “health fair” or at a convention).

If you default under the Area Development Agreement, we reserve the right to undertake certain actions in lieu of termination of the Area Development Agreement, including modifying, or eliminating completely, the Development Area., or the number of dermani MEDSPA®s that you may develop under your Area Development Agreement.

ITEM 13
TRADEMARKS, SERVICE MARKS, TRADE NAMES,
LOGOTYPES, AND COMMERCIAL SYMBOLS

We grant you the right to use certain Marks under the Franchise Agreement. Our parent company, LazCoz, owns and has registered the following Mark with the U.S. Patent and Trademark Office (the “USPTO”) on its Principal Register:

Name or Mark	Registration Number	Registration Date
dermani MEDSPA®	4657771	December 16, 2014
	5779507	June 18, 2019

Our right to use and license others to use the Proprietary Marks is exercised under a trademark license agreement (the “**TM Agreement**”) with LazCoz dated April 22, 2019. Under the TM Agreement, we are granted the right to use and to permit others to use the Marks. The TM Agreement has a 20-year term, with automatic 1-year renewal terms. If we were ever to lose our right to the Marks, LazCoz is required under the TM Agreement to allow our franchisees to maintain their rights to use the Proprietary Marks in accordance with their franchise agreements. Also, the franchise agreements will be assigned to LazCoz. Other than the TM Agreement, there are no agreements in effect which significantly limit our rights to use or license the Marks in any state in a manner material to dermani MEDSPA® franchises.

LazCoz has timely filed, and intends to timely file, with the USPTO all required affidavits of use and an affidavit of incontestability, when due, for the Marks noted above.

There are no currently effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, and no pending infringement, opposition, or cancellation proceeding, or any pending material litigation, involving the Marks. There is no agreement in effect which significantly limits our rights to use or license the Marks in any state in a manner material to the franchise, and we know of no superior prior rights or infringing uses that could materially affect your use of the Marks in any state.

You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person’s claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests

in any litigation or U.S. Patent and Trademark or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided you have notified us immediately upon your becoming aware of such infringement, you comply with our directions in responding to the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and other directives from us. At our option, we may defend or control the defense of any proceeding arising from your use of any Mark under this Agreement.

If it becomes advisable at any time in our sole judgment for you to modify or discontinue using any Mark or for you and the dermani MEDSPA® to use one or more additional or substitute trade or service marks, you will have to immediately comply with our directions. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

ITEM 14

PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

Patents

We do not own any patents that are material to the operation of your Franchised Business or management of the dermani MEDSPA®.

Copyrights

We claim copyright protection covering various materials used in our business and the development and operation of Franchised Businesses and management of dermani MEDSPA®, including the dermani MEDSPA® trade dress and custom interiors, the Manuals, advertising and promotional materials, and similar materials (discussed below). We have not registered these materials with the United States Registrar of Copyrights, but we are not required to do so. We may register one or more of these items or copyrightable materials in the future.

There are no currently effective determinations of the United States Copyright Office or any court, nor any pending litigation or other proceedings, regarding any copyrighted materials. No agreement limits our rights to use or allow franchisees to use the copyrighted materials. We do not know of any superior prior rights or infringing uses that could materially affect your use of the copyrighted materials. No agreement requires us to protect or defend our copyrights or to indemnify you for any expenses or damages you incur in any judicial or administrative proceedings involving the copyrighted materials. No provision in the Franchise Agreement requires you to notify us of claims by others of rights to, or infringements of, the copyrighted materials. If we require, you must immediately modify or discontinue using the copyrighted materials. Neither we nor our affiliates will have any obligation to reimburse you for any expenditures you make because of any discontinuance or modification.

Confidential Information

Except for the purpose of operating the Franchised Business and managing the dermani MEDSPA® under the Franchise Agreement, you must not (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or knowhow concerning the operation or management of the Franchised Business or dermani MEDSPA® that may be

communicated to you or that you may learn by virtue of your operation of the Franchised Business and management of the dermani MEDSPA® or your operations under the Franchise Agreement. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business and manage the dermani MEDSPA®. Any and all information, knowledge, knowhow, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement, including any information gathered through the POS System and/or Computer System. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so. There may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

In addition, we may require you, your Operating Principal, and any employee who may have access to any confidential information to sign non-disclosure and non-competition covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you, the Franchised Business, or the dermani MEDSPA®. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current form for this agreement is attached to the Franchise Agreement as Exhibit F.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Marks, you must conduct your business according to the Manuals.

You must always treat in a confidential manner the Manuals, any other manuals we create (or that we approve) for use with the Franchised Business and the dermani MEDSPA®, and the information contained in the Manuals. You may not copy, duplicate, record, or otherwise reproduce the Manuals and the related materials, or any portion of the Manuals (except for the parts of the Manuals that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manuals will always be our sole property. You must always keep the Manuals in a secure place at the dermani MEDSPA®'s premises.

We may periodically revise the contents of the Manuals, and you must make corresponding revisions to your copy of the Manuals and comply with each new or changed standard immediately upon receipt of the revision. If there is ever a dispute as to the contents of the Manuals, our master copy of the Manuals (maintained at our home office) will be controlling.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You or your Operating Principal must manage and provide general oversight of the Franchised Business on a full-time basis. Your failure to have the Franchised Business managed on a full-time basis by you or your Operating Principal is a default for which we may terminate the Franchise Agreement if the default persists for 30 days after notice from us.

The “**Operating Principal**” means the person, shareholder, member, or partner that you designate to be responsible for overseeing and supervising the operation of the Franchised Business, and is the person with whom we will communicate on all major policy, financial, management and operation matters, and the only person from your entity that we will recognize as having authority to communicate for you. The Operating Principal does not need to possess equity interest in the Franchised Business. You may not

change the Operating Principal without our prior written consent. We require that all owners, except those that hold a small ownership interest in the franchises (less than 10%), sign a guarantee and assumption of obligations in the form attached to the Franchise Agreement as Exhibit E. Spouses of owners are not required to sign a guarantee and assumption of obligations.

You must keep us informed at all times of the identity of any supervisory employee(s), including your Operating Principal, your manager and the dermani MEDSPA®'s physician(s) or other individuals providing medical services. You must make sure that the Franchised Business is staffed with adequate non-medical personnel to meet the needs of the dermani MEDSPA®, and you must make sure that the dermani MEDSPA® is staffed with adequate medical personnel to efficiently and effectively meet client needs.

If you own or control more than one Franchised Business, we reserve the right to require you to be a corporate entity, and each Franchised Business must be under the direct on-premises supervision of one of your principals who is designated as the Operating Principal for that Franchised Business and who has completed our training program to our satisfaction.

All management personnel and any other personnel that we designate must meet minimum qualifications that we may specify and complete such training programs as we may require, before managing the Franchised Business or training other personnel. If we learn or determine that a person is regarded as no longer complying with our standards and procedures, then we may require that person to satisfactorily complete training or a re-training program. We reserve the right to charge for retraining personnel.

In addition, all management personnel and other personnel working at the Franchised Business or the dermani MEDSPA® must satisfactorily complete all state and local government required training and must meet all mandatory licensing and certification requirements.

Your Operating Principal, manager and other personnel we designate must sign a confidentiality and non-competition agreement, in a form that is acceptable to us, which will contain covenants we require. We will be a third party beneficiary to this agreement with the independent right to enforce the agreement's terms.

You or your Operating Principal will have sole responsibility for all employment decisions and functions related to your Franchised Business, including hiring, firing, compensation, benefits, work hours, work rules, record-keeping, supervision, and discipline of employees, notwithstanding any suggestions, advice, guidelines, programs or training that we may offer. You, your Operating Principal and your managers must comply with all federal, state and local laws and regulations regarding employment-related matters. All personnel decisions must be made by you, and all decisions will be made without any influence or advice from us. All personnel decisions and actions will not be, nor be deemed to be, a decision or action of ours. You must take such steps as are necessary to ensure that your employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet any minimum standards that we may periodically establish in the Manuals.

You must sign and maintain, during the term of your Franchise Agreement, a Management Agreement with a PC (unless you and we sign a Waiver of Management Agreement). It is your or your Operating Principal's full and sole responsibility to ensure that all medical personnel of the PC be duly licensed and board certified as required in their respective states and have the experience in the skills in which they need to perform the medical services. You must use our applicable standard form of Management Agreement attached to the Franchise Agreement, but you may negotiate the monetary terms and, with our written consent, certain other terms of the relationship with the PC. You must obtain our written approval of the final Management Agreement before signing it with the PC. The PC will employ

and control the Affiliated Physicians who will provide the actual medical services required to be delivered at and through the dermani MEDSPA®. You must make sure that the PC offers all medical services in accordance with the Management Agreement and the System, and does not offer any services or products that we have not authorized to be provided in connection with dermani MEDSPA®s.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must provide all management services to the dermani MEDSPA® that we specify to support the PC's medical practice and its delivery medical spa and cosmetic services and related products to clients at the dermani MEDSPA®, consistent with all applicable laws and regulations. You must also make sure that the PC provides at the dermani MEDSPA® the services and products that we specify. You must offer and sell approved services and products only in the manner we have approved. You must not offer for sale or sell at or from the Franchised Business any services or products we have not approved, and you must make sure that the PC operating the dermani MEDSPA® offers and sells only those services and products that we have approved, and that the PC operating the dermani MEDSPA® discontinues selling and offering for sale any services or products that we disapprove. You will discontinue selling and offering for sale any services or products that we at any time decide (in our sole discretion) to disapprove in writing.

The PC for the dermani MEDSPA® will employ and control the Affiliated Physicians who will provide the actual medical services. You may not provide any actual medical services, nor will you supervise, direct, control or suggest to the PC or its physicians or employees the manner in which the PC provides or may provide medical services to its clients. You must ensure that the PC offers all medical services in accordance with the Management Agreement and the System and does not offer any services or products that we have not authorized to be provided in connection with dermani MEDSPA®.

There are no limitations on the customers you may serve at your dermani MEDSPA®.

As noted above in Item 12, you may not offer or sell products or services authorized under the Franchise Agreement through any other means, including without limitation through satellite locations, temporary locations, mail order, telephone, the Internet, or through any electronic media.

If you determine that it is permissible (or not prohibited) in your state, you and we may enter into a Waiver of Management Agreement. Under the Waiver of Management Agreement, you will both operate the dermani MEDSPA® (including performing all responsibilities and obligations of the "PC"), and manage the dermani MEDSPA® as otherwise required by the Franchise Agreement and the Management Agreement. Any waiver, or any modification of our standards, would be subject to compliance with all applicable laws and regulations.

During the term of the Franchise Agreement:

1. The Franchised Business must provide all of the management services to the dermani MEDSPA® that we specify;
2. The dermani MEDSPA®, through the PC, must provide various levels of medical spa and cosmetic services provided by a physician or other professionally licensed persons, and other services and products that we specify from time to time;
3. The Franchised Business and dermani MEDSPA® must offer and sell approved services and products, as permitted in accordance with state and federal health laws and regulations, only in the manner we have prescribed, and you will ensure that the PC operating the dermani MEDSPA® offers and

sells only those services and products that we have approved and in compliance with the Management Agreement;

4. The Franchised Business and dermani MEDSPA® must not offer for sale or sell at or from the Premises or any other location, any services or products we have not previously approved in writing; and

5. The Franchised Business and dermani MEDSPA® must discontinue selling and offering for sale any services or products that we at any time decide to disapprove in writing.

[The remainder of this page was intentionally left blank.]

ITEM 17
RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

A. Franchise Agreement

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise Term	Definitions, Section 13.1	Ten years.
b. Renewal or extension of the Term	Section 13.2	Up to two consecutive renewal terms of five years each.
c. Requirements for you to renew or extend	Section 13.2	You must provide us with notice that you wish to renew, be in compliance with the terms of your Franchise Agreement, be current in all payments required by the Franchise Agreement, sign a general release, pay a renewal fee, maintain occupancy of the premises or find a substitute premise, remodel and/or refurbish your Franchised Business if we require, and we may revise the boundaries of your Territory on renewal. You may be asked to sign a contract with materially different terms and conditions than your original contract.
d. Termination by you	Not applicable	You do not have the right to terminate the Franchise Agreement.
e. Termination by us without cause	Not applicable	Not applicable
f. Termination by us with cause	Section 14	Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination

Provision	Section in Franchise Agreement	Summary
g. “Cause” defined – curable defaults	Sections 14.2 and 14.3	Includes: failure to pay amounts owed to us; failure to have required licenses, permits, certifications, or other requirements; failure to maintain insurance; unauthorized use of our Marks; failure to enter into Management Agreement after original Management Agreement was terminated; unauthorized use of proprietary software; failure to operate the Franchised Business during the hours and days specified in the Manual; failure to operate the Franchised Business from the Premises; failure to pay taxes when due; failure to pay suppliers when due; failure of trainee to complete initial training; failure to execute covenants and related agreements; failure to have full-time manager of the Franchised Business; and failure to otherwise comply with the Franchise Agreement, the Manual or any System Standard.
h. “Cause” defined - non-curable defaults	Sections 14.1 and 14.2	Includes: bankruptcy, insolvency, and others; unsatisfied judgment; dissolved; transfer in violation of the Franchise Agreement; material misrepresentation on application for a Franchised Business; felony conviction; misuse of our Marks; unauthorized disclosure of Confidential Information; interference with our ability to operate or grant franchises; understatement of revenue or fees; assets blocked due to terrorist activity; repeated defaults; failure to locate the premises for the Franchised Business or to open the Franchised Business within required timeframes; threat or danger to public health or safety; violate in-term non-competition covenants; revoked license or permit needed to operate the Franchised Business; failure of replacement trainee to complete initial training; abandonment. In addition, a default under one agreement with us may result in a termination of all of your other agreements with us. This is known as a cross-default provision.
i. Your obligations on termination/nonrenewal	Article 15	Stop using Marks; pay amounts due; stop operating the Franchised Business; comply with covenants not to compete; return materials containing Marks, Manual, and other Confidential Information; provide evidence of compliance with your obligations; and pay liquidated damages (if applicable)
j. Assignment of contract by us	Section 12.1	We have the right to transfer or assign the Franchise Agreement to any person or entity without prior notice to you and without restriction.
k. “Transfer” by you – defined	Section 12.2	Includes any sale, assignment, gift, conveyance, pledge, mortgage or other encumbrance or disposition of any interest in the Franchise Agreement, the Franchised Business or you (if you are not a natural person).

Provision	Section in Franchise Agreement	Summary
l. Our approval of transfer by you	Section 12.3	You may not transfer the Franchise Agreement without our prior written consent. We will not unreasonably withhold our consent. Our consent to a transfer is not a waiver of any claims we have against you.
m. Conditions for our approval of transfer	Section 12.3	Your full compliance with the Franchise Agreement; our approval of transferee; you are current in fees owed to us; transferee signs then-current franchise agreement; payment of transfer fee; release signed; you comply with non-competition covenants; all obligations to us satisfied; and others.
n. Our right of first refusal to acquire your business	Section 12.6	We have the right of first refusal if you determine to sell or transfer your interest in the franchisee, the Franchise Agreement or the Franchised Business.
o. Our option to purchase your business	Section 15.5	Upon termination or expiration of the Franchise Agreement, we have the right to purchase all or a portion of the assets of your Franchised Business at their fair market value.
p. Your death or disability	Section 12.5	Your estate must transfer your interest in the Franchised Business to a third party we approve within 12 months after death or disability. Your estate must appoint a manager within 30 days of death or disability and an Operating Principal within 90 days after death or disability
q. Non-competition covenants during the term of the franchise	Article 7	Includes a prohibition on engaging in Competitive Business, including any medspa, medical care center, or business that offers or provides laser hair removal, skin rejuvenation, chemical peels, body contouring/skin tightening, microneedling, dermaplaning, or injections for a medical center, medical care practice management business, or any other product or service or management service that is similar to the services and products or services authorized to be offered or sold under the Marks and the System.
r. Non-competition covenants after the franchise is terminated or expires	Section 15.4	Includes a two year prohibition on a Competitive Business at the Premises, within the Territory, within five miles of the border of the Territory, or within the Territory of other Franchised Businesses in operation or under construction.
s. Modification of the agreement	Section 18.10	The Franchise Agreement may only be modified by written agreement signed by both parties. You must comply with the Manual System Standards as amended.

Provision	Section in Franchise Agreement	Summary
t. Integration/merger clause	Section 18.13	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable federal and/or state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related 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 18.5	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that either party can go to court to seek injunctive relief for certain matters). (subject to state law)
v. Choice of forum	Section 18.5	Any action you bring against us must be in the state and judicial district in which we have our principal place of business. Any action we bring against you may be brought in the state and judicial district in which we have our principal place of business. (subject to state law)
w. Choice of law	Section 18.6	Subject to applicable state law, Florida without regard to its conflict of laws or rules (except to the extent federal law applies).

B. Area Development Agreement

Provision	Section in Area Development Agreement	Summary
a. Length of the franchise term	Section 4.1	At the earlier of the day the last dermani MEDSPA opens for business or on last day specified in Development Agreement.
b. Renewal or extension of the term	Section 4.2	There are no renewal terms.
c. Requirements for you to renew or extend	Not Applicable	Not Applicable
d. Termination by you	Not Applicable	Not Applicable
e. Termination by us without cause	Not Applicable	Not Applicable
f. Termination by us with cause	Section 8	We may terminate your agreement with cause as described in (g)-(h) of this chart. (See Notes 1 and 3).

Provision	Section in Area Development Agreement	Summary
g. “Cause” defined – curable defaults	Section 8.3	Any other default not specified in Sections 8.1 or 8.2, such as a material failure to comply with other agreement terms.
h. “Cause” defined - non-curable defaults	Sections 8.1 and 8.2	Bankruptcy, insolvency, and others; failure to meet Development Schedule; termination of a Franchise Agreement. (Under the U.S. Bankruptcy Code, we may be unable to terminate the agreement merely because you make a bankruptcy filing.)
i. Your obligations on termination/nonrenewal	Section 8.5	Cease developing new Franchised Businesses and dermani MEDSPA®s; and payment of amounts due, and others; see also § 8.4 (actions in lieu of termination).
j. Assignment of contract by us	Section 7.1	There are no limits on our right to assign the Area Development Agreement.
k. “Transfer” by you – defined	Section 7.2	Includes transfer of any interest.
l. Our approval of transfer by you	Sections 7.3, 7.4 and 7.5	You must obtain our prior written consent for any proposed transfer.
m. Conditions for our approval of transfer	Section 7.3	Release us (see Exhibit K), signature of new Area Development Agreement, payment of transfer fee, transfer of all franchise agreements to the same transferee, and others
n. Our right of first refusal to acquire your business	Section 7.7	We have a right of first option. If you or one of your owners plans to sell or transfer any material asset of the business or any material part (which changes control) of the entity which owns the business to a third party, you and/or the owner must first offer the assets or interest to us under the same terms and conditions. If we do not wish to acquire the assets or interest, you and/or the owner may then transfer them to the third party.
o. Our option to purchase your business	Not Applicable	Not Applicable
p. Your death or disability	Sections 7.5, and 7.6	Your estate must transfer your interest in the business to a third party we have approved, within a year after death or the onset of disability. Your estate must appoint a manager to assume your obligations under ADA within 30 days from the date of death or Disability.
q. Non-competition covenants during the term of the franchise	Section 9.1	Includes prohibition on engaging in any business which is the same or similar to the Franchised Business or dermani MEDSPA® that will be developed.

Provision	Section in Area Development Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	Section 9.2	Includes a two year prohibition similar to “q” (above), at the Premises, within the Development Area, within five miles of the Development Area or any franchised business or other dermani MEDSPA® then-operating under the System.
s. Modification of the agreement	Section 12.14	Must be in writing signed by both parties.
t. Integration/merger clause	Section 12.14	Only the final written terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law), but this provision will not act, or be interpreted, as a disclaimer of any representations made in this disclosure document. Any representations or promises made outside of the disclosure document, Franchise Agreement and Area Development Agreement may not be enforceable. Notwithstanding the foregoing, nothing in this or any related 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 12.5	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except that either party can go to court to seek injunctive relief for certain matters). (subject to state law)
v. Choice of forum	Section 12.6	Any action you bring against us must be in the state and judicial district in which we have our principal place of business. Any action we bring against you may be brought in the state and judicial district in which we have our principal place of business. (subject to state law)
w. Choice of law	Section 12.7	Florida without regard to its conflict of laws or rules (except to the extent federal law applies). (subject to state law)

ITEM 18

PUBLIC FIGURES

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

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC’s Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the

actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

As of December 31, 2022, there were five company-owned locations and nine franchised locations.

Presented below in Part A are the historic gross revenue figures for the five company-owned locations (each, “Company Location”) that were open and operating throughout the 12-month period of January 1, 2022 to December 31, 2022 (the “Measurement Period”). All Company Locations in the below charts are all located within, or surrounding, the greater Atlanta, Georgia area, and operate in locations that are between 1,500 to 2,400 square feet. Based upon applicable local laws, none of the Company Locations currently contract with a PC or a management company. Except as noted below, the five Company Locations are substantially similar to the franchised business being offered and sold under this disclosure document.

Also presented in Part B of this Item 19 are gross revenues and selected expenses for the six franchised locations that were open and operating throughout the 12-month period of January 1, 2022 to December 31, 2022 (each, a “Franchised Location”). The Franchised Locations are approximately between 1,400 to 2,100 square feet. None of the Franchised Locations currently contract with a PC or a management company. Three franchised locations were excluded from Part B because there were not open and operating for a full year as of December 31, 2022. One of the Franchised Locations included in the below charts had been a company-owned location that was then sold and converted to a franchisee in 2022.

Parts C and D include company and franchised locations that were open and operating for any amount of time during the respective periods in each part.

Please carefully read all of the information in this Item 19, and all of the notes following the charts, in conjunction with your review of the historical data.

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

A. Company-Owned Locations During Measurement Period (2022 Calendar Year)

	Company Location 1	Company Location 2	Company Location 3	Company Location 4	Company Location 5
(Opened Since)	(Sept 2013)	(April 2014)	(April 2014)	(Sept 2015)	(April 2017)
Gross Revenue¹					
Retail Product Sales	\$53,146.97	\$78,812.88	\$51,084.24	\$96,185.37	\$76,362.42
Services Income	\$1,481,771.46	\$2,427,115.73	\$1,419,417.30	\$2,100,580.69	\$1,523,073.90
Total Gross Revenue	\$1,534,918.43	\$2,505,928.61	\$1,470,501.54	\$2,196,766.06	\$1,599,436.32
Cost of Goods Sold²	\$595,646.19	\$781,103.10	\$498,935.73	\$804,755.99	\$522,147.50

	Company Location 1	Company Location 2	Company Location 3	Company Location 4	Company Location 5
Gross Profit after COGS³	\$939,272.24	\$1,724,825.51	\$971,565.81	\$1,392,010.07	\$1,077,288.82
Expenses					
Advertising and Promotion ⁴	\$21,801.30	\$24,228.82	\$21,640.25	\$23,455.92	\$21,962.59
Imputed Royalty ⁵	\$76,745.92	\$125,296.43	\$73,525.08	\$109,838.30	\$79,971.82
Social media/technology fee ⁶	\$5,400.00	\$5,400.00	\$5,400.00	\$5,400.00	\$5,400.00
Merchant Account Fees	\$49,120.24	\$68,696.53	\$40,415.14	\$60,066.48	\$47,584.86
Business Licenses and Permits ⁷	\$3,339.90	\$4,769.62	\$3,503.07	\$1,971.44	\$1,829.00
Computer and Internet Expenses ⁸	\$9,770.64	\$10,012.40	\$8,334.00	\$8,061.90	\$7,832.98
Insurance Expenses (allocated to locations based on Revenue Percentage) ⁹	\$12,806.50	\$20,908.07	\$12,269.04	\$18,328.59	\$13,344.80
Office Supplies	\$6,528.09	\$7,954.93	\$5,575.45	\$6,265.23	\$7,026.13
Payroll Expenses ¹⁰	\$468,692.81	\$759,857.92	\$495,777.62	\$709,855.80	\$551,186.81
Professional Fees ¹¹	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00	\$3,000.00
Rent Expense ¹²	\$95,232.91	\$127,973.68	\$63,371.64	\$52,045.92	\$47,748.18
Spa Supplies ¹³	\$109,886.85	\$170,240.69	\$115,084.27	\$106,913.06	\$114,433.74
Telephone Expense	\$1,942.21	\$2,194.13	\$1,989.42	\$2,189.50	\$1,942.19
Utilities	\$5,219.63	\$6,080.41	\$4,604.00	\$5,616.72	\$3,472.95
Total Expenses¹⁴	\$869,487.00	\$1,336,613.63	\$854,488.98	\$1,113,008.86	\$906,736.04
Net Income¹⁵	\$69,785.24	\$388,211.88	\$117,076.83	\$279,001.21	\$170,552.78

Notes to Part A:

1. “Gross Revenue” represents the actual gross revenue, less refunds, from the sale of products and services, including skincare products, cosmetic injectables services, skin rejuvenation facial services, laser hair removal, hydrafacial®, microneedling, and skin tightening for each Location during the Measurement Period. One Company Location (Company Location #1) also perform services that will not be offered or sold at franchised dermani MEDSPAs, such as Coolsculpting®. Therefore, the revenues received from this service at this one Location has been excluded from the Gross Revenue figures for that Location in the table above. Amounts for tips collected on behalf of the staff have been removed from Revenue and from Payroll costs. Sales Tax cost is also not included in Revenue.
2. “Cost of Goods Sold” means the total amount of products and goods, including, without limitation, injectables and skincare products, that was sold or consumed by each Company Location during the Measurement Period. To the extent Company Locations had costs or expenses for items such as Coolsculpting® cycles that will not be used, offered or sold at franchised dermani MEDSPAs®, those costs were excluded from the “Cost of Goods Sold.
3. “Gross Profit” means the Gross Revenue minus the Total Cost of Goods Sold.
4. “Advertising and Promotion” is the amount of advertising and promotional costs that a franchised dermani MEDSPA® would be expected to spend under the Franchise Agreement. For this table, we have included a figure that includes the following fees and expenses that would be required under the Franchise Agreement: (A) the standard Online Management Fee, which is currently equal to \$997 per month; (B) the minimum local advertising requirement spend of \$500 per month; and (C) a System Marketing Fee equal to 0.25% of Gross Revenues (which was the System Marketing Fee rate for 2021). As described in Items 6 and 11 above, we may require you to pay a System Marketing Fee up to 2% of your Gross Revenues. The amount of Advertising and Promotion that we actually spent during the Measurement Period for each Location was different than the respective amounts listed in the above chart (an actual total of \$113,089 or an average of \$22,618 per location).
5. Merchant Account fees are actual merchant account fees incurred. Excluded are any merchant account fees related to the delivery of Coolsculpting services.
6. “Imputed Royalty” is the amount of royalty that would have been paid during the Measurement Period, based on the standard 5% royalty rate, for the Gross Revenues of each particular Location. This statement is required by applicable franchise regulations, but it is not a statement that you or any franchisee is expected to achieve the same level of sales. It is intended only as a statement that if a dermani MEDSPA® were to achieve the level of Gross Revenue that was achieved by each of these Company Locations, this is the amount of the royalty fee that would be owed to us.
7. “Social Media/Technology Fee” is the imputed Social Media/Technology Fee that would have been paid by each Location during the Measurement Period, which is currently equal to \$300 per month plus the assumed optional add-on services for a total of \$450 per month.
8. “Business Licenses and Permits” includes those actual costs and expenses that each Company Location incurred during the Measurement Period in connection with obtaining or

maintaining various business licenses. The Business Licenses and Permits expenses vary among the Locations in part due to the differences in city and local requirements, and these were for licenses and permits for operating locations.

9. “Computer and Internet Expenses” are the actual amounts that each Company Location paid in connection with using such hardware and software that meets our current standards, plus internet expenses. It also includes the Software Fees actually paid by the Location, which is currently equal to \$400 per month.

10. “Insurance” means the actual aggregate amount of insurance coverage paid for all six Locations (in the total amount of \$77,656.92). Because the Company Locations are affiliates, we pay one premium that covers all six Locations, and the table has allocated the total amount on a pro-rata basis based upon the Gross Revenue of each Company Location. Your insurance premiums may be higher on a per dermani MEDSPA® basis.

11. “Payroll Expenses” means the total amount each Company Location paid its employees in 2022 for the types of payroll expenses that a franchisee is likely to incur in operating its dermani MEDSPA®, including pay, benefits, and payroll taxes. The number and type of specific personnel varies among each Location, but generally includes 1 to 2 front desk coordinators per Company Location, 3 to 7 full-time employees (“FTE”) estheticians/laser practitioners per Company Location, and 1 to 3 nurse practitioners and/or physician assistant cosmetic injectors per Company Location. Because we do not contract with a PC or management company, Payroll Expenses also includes each Company Location’s medical director’s fees. Payroll Expenses does not include any amounts that you (or an Operating Principal) may pay yourself. Excluded from this line item are the payroll expenses that were incurred by a Company Location that is contributable to us as the franchisor, including, without limitation, expenses that were incurred by a Company Location in offering esthetician training and other services to the general public, as you will not be incurring such costs and expenses. As noted above, based upon applicable local laws, none of the Locations currently contract with a PC or a management company. You, as a franchisee, or your PC, will have the sole discretion to determine the number of employees and managers hired for your dermani MEDSPA®, and their hours, compensation and benefits. These figures are not requirements nor recommendations. Amounts for tips collected on behalf of the staff have been removed from Revenue and from Payroll costs. Also excluded are any employee costs related to the delivery of Coolsculpting services.

12. “Professional Fees” means those estimated accounting and legal fees that we would anticipate a dermani MEDSPA® to incur in any given year, for an existing, operation dermani MEDSPA®. As noted in Item 7 above, you will likely incur additional professional fees in the first year of operation.

13. “Rent Expense” means the total amount that each Company Location paid to its landlord for rent, CAM, and all other expenses charged by the respective landlord during the Measurement Period. Excluded are any pro-rated costs of space related to the delivery of Coolsculpting services.

14. “Spa Supplies” means the actual amount that each Company Location spent on various supplies, including, without limitations, chemical peels, gloves, towels, and table covers. The Spa Supplies do not include the items described in the Cost of Goods Sold. This line item also includes expenses that we require for our designated supplier to inspect biohazards waste and OSHA compliance.

15. “Total Expenses” does not include certain expenses incurred by the Company Locations, including sales and property taxes, costs and expenses incurred by us to attend continuing education programs, meals and entertainment and non-recurring repairs and maintenance.

16. “Net Income” means the Gross Profit After COGS minus the Total Expenses.

B. Franchised Locations During Measurement Period (2022 Calendar Year)

	Franchised Location 1	Franchised Location 2	Franchised Location 3 (note 4)	Franchised Location 4	Franchised Location 5	Franchised Location 6
(Opened Since)	(October 2020)	(December 2020)	(June 2018)	(April 2021)	(May 2021)	(July 2021)
Gross Revenue¹	\$855,670	\$775,611	\$979,375	\$1,633,509	\$983,159	\$625,547
Disclosed Expenses						
Cost of Goods Sold ²	\$376,210	\$211,681	\$377,481	\$578,399	\$284,301	\$196,737
Rent ³	\$81,207	\$57,909	\$57,814	\$49,461	\$81,512	\$69,023

Notes to Part B:

1. “Gross Revenue” has the same meaning as Part A above. One Franchised Location (Franchised Location #2) also perform services that will not be offered or sold at franchised dermani MEDSPAs, such as Coolsculpting®. Therefore, the revenues received from this service at this one Location has been excluded from the Gross Revenue figures for that Location in the table above.

2. “Cost of Goods Sold” has the same meaning as Part A above. To the extent Locations had costs or expenses for items such as Coolsculpting® cycles that will not be used, offered or sold at franchised dermani MEDSPAs®, those costs were excluded from the “Cost of Goods Sold.

3. “Rent” means the total amount that each Franchised Location reported as paying during the Measurement Period.

4. This location was a company location that was sold and converted to a franchise in August 2022.

C. Systemwide Membership Fees Collected in 2021 and 2022 Calendar Years

Presented below are the total systemwide annual Gross Revenues from membership fees that were collected throughout 2021 and 2022 by all company and franchised locations that were open for any amount of time during 2021 and 2022. This includes 5 franchised locations in 2021 and 9 franchised locations in 2022, and 6 company locations in 2021 and 2022.

	Total Amount of Membership Fees Collected in 2021¹	Total Amount of Membership Fees Collected in 2022¹	% increase
Company outlets	\$4,145,898	\$4,659,014	12%
Franchise outlets	\$598,190	\$2,017,708	237%
Total	\$4,744,088	\$6,676,812	41%

Note to Part C:

1. These figures represent the membership fee portion only and do not reflect any upgrades to premium services at actual delivery of service or any other Gross Revenues collected by the locations.

D. Systemwide Number and Amount of Membership Fees Collected in December 2022

Presented below are the total systemwide number of memberships and membership fees that were collected in December 2022, by all company and franchised locations that were open and operating throughout December 2022. This includes 9 franchised locations and 5 company locations.

	Total Number of Memberships Processed in December 2022	Total Amount of Membership Fees Collected in December 2022¹
Company outlets	6,577	\$363,403
Franchise outlets	3,891	\$221,242
Total	10,468	\$584,645

Note to Part D:

1. These figures represent the membership fee portion only and do not reflect any upgrades to premium services at actual delivery of service or any other Gross Revenues collected by the locations.

Notes to Parts A – D:

You should conduct an independent investigation of the costs and expenses you will incur in managing your dermani MEDSPA.

The financial information we used in preparing the preceding financial performance representations was based entirely upon unaudited information reported to us by each affiliate that operates the respective Location. Prospective franchisees or sellers of franchises should be advised that no certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form.

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you in our main office upon reasonable request.

Other than the preceding financial performance representation, we do not make any financial performance representations. We do not authorize our employees or representatives to make any 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 our management by contacting Mr. Harvey Hillyer, President, dermani MEDSPA® Franchising LLC, 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786, or 877-DERMANI (337-6264), the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table 1
Systemwide Outlet Summary
For years 2020 to 2022

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2020	0	2	+2
	2021	2	5	+3
	2022	5	9	+4
Company-Owned	2020	6	6	0
	2021	6	6	0
	2022	6	5	-1
Total	2020	6	8	+2
	2021	8	11	+3
	2022	11	14	+3

Table 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2020 to 2022

State	Year	Number of Transfers
Total	2020	0
	2021	0
	2022	0

Table 3
Status of Franchised Outlets
For years 2020 to 2022

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Georgia	2020	0	2	0	0	0	0	2
	2021	2	3	0	0	0	0	5
	2022	5	3	0	0	0	0	8
Texas	2020	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
Total	2020	0	2	0	0	0	0	2
	2021	2	3	0	0	0	0	5
	2022	5	4	0	0	0	0	9

Table 4
Status of Company-Owned Outlets
For years 2020 to 2022

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Georgia	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	1	5
Total	2020	6	0	0	0	0	6
	2021	6	0	0	0	0	6
	2022	6	0	0	0	1	5

Table 5
Projected Openings As of December 31, 2022 for 2023

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In The Next Year
Illinois	2	2	0
Texas	2	4	0
Georgia	1	3	0
New Mexico	1	1	0
Florida	1	1	0
Total	7	11	0

A list of the names of all franchisees the addresses and telephones numbers of the franchises will be provided in Exhibit E to this disclosure document when applicable.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a franchise terminated, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document will be listed on Exhibit F to this disclosure document when applicable. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

During the last three fiscal years, we have not had any franchisees sign confidentiality provisions that would restrict their ability to speak openly about their experience with the dermani MEDSPA® System.

There are no trademark-specific franchisee organizations associated with the dermani MEDSPA® System that have either been created, sponsored or endorsed by us, or that have been incorporated or otherwise organized under state law, and none have requested that we include such an or in this Disclosure Document within the 60 day period following the close of our fiscal year.

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Exhibit G are our audited financial statements for the fiscal years ending December 31, 2020, December 31, 2021, and December 31, 2022.

Our fiscal year end is December 31st.

ITEM 22
CONTRACTS

The following contracts are attached to this disclosure document:

Franchise Agreement, including Management Services Agreement (Exhibit A)

Area Development Agreement (Exhibit B)

Release Agreement (Exhibit K)

Waiver of Management Agreement (Exhibit L)

ITEM 23
RECEIPTS

The last two pages of this disclosure document (under Exhibit N) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy; please keep the other copy along with this disclosure document.

EXHIBIT A
FRANCHISE AGREEMENT



DERMANI MEDSPA® FRANCHISING LLC

FRANCHISE AGREEMENT

FRANCHISEE

DATE OF AGREEMENT

TABLE OF CONTENTS

TABLE OF CONTENTS.....	1
FRANCHISE AGREEMENT.....	1
PREAMBLES AND BACKGROUND	1
DEFINITIONS	2
1.GRANT OF FRANCHISE; TERRITORY	4
2.OPENING OF FRANCHISED BUSINESS, LOCATION APPROVAL, LEASE OF PREMISES, AND DEVELOPMENT	7
3.FEES	11
4.TRAINING AND ASSISTANCE	14
5.MARKS	17
6.CONFIDENTIAL INFORMATION	18
7.EXCLUSIVE RELATIONSHIP	20
8.SYSTEM STANDARDS	20
9.MARKETING	26
10.RECORDS, REPORTS AND FINANCIAL STATEMENTS.....	31
11.INSPECTIONS AND AUDITS.....	32
12.TRANSFER	33
13.TERM OF THIS AGREEMENT; RENEWAL	38
14.TERMINATION OF AGREEMENT	39
15.OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT	42
16.RELATIONSHIP OF THE PARTIES; INDEMNIFICATION	45
17.COMPLIANCE WITH LAWS; NOTIFICATION OF ACTION OR PROCEEDING.....	47
18.ENFORCEMENT	47
19.NOTICES AND PAYMENTS	52
20.ACKNOWLEDGMENTS	52

Exhibits:

- A Premises and Territory
- B Collateral Assignment of Lease
- C Listing of Ownership Interests
- D Electronic Funds Transfer Authorization
- E Guaranty and Assumption of Obligations
- F Confidentiality and Non-Competition Agreement
- G Transfer to a Corporation or Limited Liability Company
- H Multi-State Addendum
- I Internet Websites and Listing Agreement; Telephone Listing Agreement
- J Management Agreement

DERMANI MEDSPA® FRANCHISING LLC
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the “**Agreement**”) is made and entered into as of the _____ day of _____, 20____ (the “**Effective Date**”) (regardless of the dates of the parties’ signatures) by and between dermani MEDSPA® Franchising LLC, a Florida limited liability company located at 9100 Conroy Windermere Road, Suite 200 Windermere, Florida 34786 (“**we**,” “**us**,” or “**our**”), and _____, a _____ whose principal business address is _____ (“**you**” or “**your**”).

PREAMBLES AND BACKGROUND

A. We and our affiliate, as a result of the expenditure of time, skill, and effort, have developed (and continue to develop and modify) a medical spa management system (“**System**”) relating to the management of medical centers that provide, through independent physicians and professionally licensed persons or entities, medical spa and cosmetic services related to skin, cosmetic injectables and laser hair removal treatments, all of which are provided by a physician, or medical personnel supervised by a physician.

B. The medical spa centers in the System (each, a “**Medspa**”) operate under the “dermani MEDSPA®” name and Marks and will be managed according to the System. The business that will manage a Medspa under the System is referred to in this Agreement as the “**Franchised Business**.” The System has characteristics that currently include providing site selection assistance, construction design, preferred vendor relationships for medical equipment and supplies, procedures for monitoring operations and quality of services offered; procedures for management; training and assistance; advertising and promotional programs; business formats, methods, procedures, standards, and specifications, all of which we may change, improve, and further develop.

C. We use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark “**dermani MEDSPA®**” in operating and managing Medspas, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols for Medspas.

D. We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Franchised Business using our System and Marks that will manage a Medspa.

E. You have applied to us for the right to use the System. Your application has been approved by us in reliance upon all of the representations made in your application including those concerning your financial resources and the manner in which the Franchised Business will be owned and operated. You acknowledge that you have read this Agreement and been given an opportunity to obtain clarification of any provision that you did not understand. You also understand and agree that the terms and conditions contained in this Agreement are necessary to maintain the System’s high standards of quality and service and the uniformity of those standards at all Medspas and thereby agree to protect and preserve the goodwill of the Marks, and you must comply with this Agreement and all System Standards in order to maintain the high and consistent quality that is critical for Medspas.

DEFINITIONS

“Allowances” – manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits that are offered by suppliers to us based upon your purchases of Products. You understand and acknowledge that you shall have no right to any Allowances we or our affiliate may receive.

“Claims” – all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party incurs in defending itself, including reasonable accountants’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, whether or not it has commenced.

“Competitive Business” – any medspa or medical care center, or a business that offers or provides laser hair removal, skin rejuvenation, chemical peels, body contouring/skin tightening, microneedling, dermaplaning, and injections for a medical center, medical care practice management business, or any other product or service or management service that is similar to the services and products authorized to be offered, sold or provided under the Marks and the System, or any business granting franchises or licenses to others to operate the type of business specified in this Agreement.

“Computer System” – the computer hardware, operating software, and communications capabilities we specify.

“Confidential Information” – as more fully described in Section 6, our trade secrets, Manual, and System and other information that you are given access to by virtue of this Agreement or otherwise that is not a matter of public knowledge.

“Control” – the power to direct or cause the direction of management and policies.

“Disability” – a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Principal from supervising the Franchised Business’s management and operating.

“EFT” – electronic funds transfer, which is the manner in which you will remit all payments due to us during the term of this Agreement.

“Entity” – a corporation, limited liability company, general or limited partnership or legally recognized form of organized business structure.

“Franchised Business” – the business that will manage the Medspa which includes all of the assets of the Franchised Business you operate under this Agreement, including its revenue and any lease for the Premises.

“Gross Revenue” – the Gross Revenue of the Franchised Business means all of the dermani MEDSPA®’s revenue generated from the sale of all medical spa and cosmetic services related to skin, cosmetic injectables, laser hair removal treatments, membership fees, and all other products and services offered at or from the dermani MEDSPA®, and all other income of every kind and nature related to, derived from, or originating from the dermani MEDSPA®, whether at retail or wholesale, including off-premises services, mobile clinics, and temporary locations (whether these sales are permitted or not), and proceeds of any business interruption insurance policies, whether any of the products or services are sold for cash, check, or credit, and regardless of collection in the case of check or credit; except that “Gross Revenue” excludes any tips received by any staff or personnel who will provide the actual medical services, clients

customer refunds, discounts from coupon sales, sales taxes, and/or other taxes collected from customers by you and actually transmitted to the appropriate taxing authorities.

“Immediate Family Members” – includes spouses, domestic partners, children 18 years old or older, and such other persons as we specify.

“Indemnified Parties” – us, our affiliates, and our and their respective members, shareholders, directors, officers, employees, agents, successors, and assignees or designees.

“Initial Term” – ten (10) years from the Effective Date of this Agreement.

“Management Agreement” – the agreement that you enter into with a PC prior to opening the Franchised Business to manage the Medspa.

“Management Fee” – The Management Fee is paid by the PC to you in exchange for the back office, administrative, and other services provided to the PC by you.

“Manual” – the confidential operations manual that we loan to you to assist you in setting up and establishing the operations of your Franchised Business.

“Marks” – the “dermani MEDSPA®” word mark and logo, and any other trademarks, service marks, and commercial symbols we may create, use or license for the Medspas.

“Medspa(s)” – dermani MEDSPA® medical care centers that provide patients with the products and services that we specify and/or authorize.

“Opening Date” – twelve (12) months from the Effective Date.

“Operating Assets” – the fixtures, furniture, equipment (including medical and diagnostic equipment, patient and waiting room furniture, fixtures and equipment, Computer System, facsimile, or other technology systems), furnishings, and signs to be used in the Franchised Business and at the Medspa.

“Operating Principal” – the person, shareholder, member, or partner that you designate to be responsible for overseeing and supervising the operation of the Franchised Business.

“Owner” – any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, this Agreement, or the Franchised Business, and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights or assets.

“PC” – the professional corporation, professional limited liability company or other professional entity as permitted by law in your state to operate the Medspa.

“Person” – any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

“Practice(s)” – dermani MEDSPA® medical centers that provide patients with the products and services that we specify and/or authorize.

“Premises” – the location that we approve for the Medspa.

“Products” – our standards and specifications for mandatory and/or optional types, models and brands of required Operating Assets and other products, which may include equipment, supplies, goods, services and other materials to be used in connection with the operation of the Franchised Business and Medspa. We or our affiliate may be a designated supplier of certain Products.

“Provider Costs” – includes the salaries and benefits paid by the PC to the physicians, medical providers, and staff employed by the PC providing services at the Medspa.

“Royalty Fee” – the royalty fee that you agree to pay us, as set forth in Section 3.2.

“Supplier” – our approved or designated distributors and/or suppliers for any Product, Products or Services. We or our affiliate may be a designated supplier.

“System Marketing Fee” – the system marketing fee that you agree to pay us, as set forth in Sections 3.3 and 9.2.

“System Standards” – the mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the management and operation of the Franchised Business and Medspa.

“Territory” – the area in which the Premises are located and in which we will not establish another Franchised Business during the Initial Term.

The definitions provided above are in addition to other defined terms set forth in this Agreement.

1. GRANT OF FRANCHISE; TERRITORY

1.1. Grant of Franchise.

1.1.1. You have applied for a license to own and operate a business that will manage a Medspa at the Premises and in the Territory identified in Exhibit A. The Premises and Territory will be determined as set forth in Section 2.1. Subject to this Agreement’s terms, we grant you the right and license to develop and manage a Medspa at the Premises, and to use the System for the Initial Term, unless sooner terminated as provided herein. You agree at all times to perform your obligations under this Agreement faithfully, honestly, and diligently and to use your best efforts to promote the Franchised Business.

1.1.2. You agree that your Medspa will have one or more licensed and qualified medical professionals (referred to as a “Licensed Professional”). You (if you are a Licensed Professional) or other Licensed Professionals engaged by you will be involved in the operations of your Medspa in accordance with your state's laws and regulations, this Agreement, and the Manuals.

1.2. **Professional Corporation Under Management; Services.** Prior to commencing operations of the Franchised Business, you shall enter into a Management Agreement with a PC whereby you will provide to the PC management and administrative services and support consistent with the System and as outlined in our form of Management Agreement to support the PC’s medspa or medical center and its delivery of medical services and related products to patients, consistent with all applicable laws and regulations. Subject to applicable law and medical licensing board and regulations, the PC shall employ and control the physicians and professionally licensed personnel, including physician assistants, medical assistants, medical receptionists, estheticians, laser

practitioners, and other similar medical professionals who will provide the actual medical services at the Medspa. You will not provide any actual medical services, nor will you supervise, direct, control or suggest to the PC or its physicians or employees the manner in which the PC provides or may provide medical services to its patients. You acknowledge and agree that we will not provide any medical services, nor will we train, supervise, direct, control or suggest to the PC or its physicians or employees the manner in which the PC provides medical services to its patients. You must use our standard form of Management Agreement; provided, however, that you should revise any provisions as necessary in order to be consistent with applicable state law, and based on advice you receive from your lawyers and other advisors, and you may negotiate the monetary terms and, with our written consent, certain other terms of the relationship with the PC. You must obtain our written approval of the final Management Agreement prior to its execution. We must approve the PC candidate. You shall ensure that the types of services available through the PC are limited to those in accordance with and pursuant to this Agreement and that the PC is operated in accordance with the Management Agreement. You shall have a Management Agreement in effect with a PC at all times during the operation of the Franchised Business. In the event the Management Agreement with the PC is terminated during the Initial Term, you shall enter into a new Management Agreement with a replacement PC as soon as practicable, but in no event later than one hundred twenty (120) days after you provide or receive notice that the Management Agreement with the original PC is being terminated. In the event applicable state law does not require the use of a management agreement between you and a PC, as determined by you and your counsel, we may waive certain requirements and require you to execute our waiver of management agreement ("Waiver of Management Agreement"). If you qualify to enter into the Waiver of Management Agreement, we will make the final determination whether we will permit the waiver or not.

- 1.3. **Territorial Rights.** After the Premises are approved, we will describe the Territory in Exhibit A. Except as provided for in Sections 1.4, 1.5, and 1.6 below, and provided that you are in full compliance with this Agreement, we will not operate or grant others the right to operate a Franchised Business, or a similar medical spa practice management business that operates under a different mark or trade name, at a location within the Territory during the Initial Term of this Agreement.
- 1.4. **Rights We Reserve.** We retain all rights with respect to Franchised Businesses and Medspas, the System, the Marks, the sale of similar or dissimilar services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:
 - 1.4.1. the right to operate, and to grant others the right to operate, Franchised Businesses and similar medical management businesses or similar medspas or medical centers under different names or marks located anywhere outside the Territory under any terms and conditions we deem appropriate and regardless of proximity to the Premises or the Territory;
 - 1.4.2. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services that are different from the products or services offered at Medspas through similar or dissimilar channels of distribution (including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale), at any locations inside or outside the Territory under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;
 - 1.4.3. the right to acquire the assets or ownership interests of one or more businesses that operate, and/or has granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with Medspas and Franchised Businesses

related to Medspas, and/or the right to be acquired by a competing medical business or medical management business, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Territory, provided, however, that if we acquire, or are acquired by, such a competing business or chain, we will not establish or grant franchises or licenses to establish new or additional competing businesses under the Marks or the acquired chain's marks in your Territory, although we may rebrand such existing businesses in your Territory to use the Marks and the System, and it is expressly acknowledged by you and us that any such business operations of the same or similar business that existed or operated at the time of such acquisition or transaction shall not constitute a breach of Section 1.3;

- 1.4.4. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Franchised Businesses and Medspas, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Territory; and
- 1.4.5. the right to operate, and to grant others the right to operate, Franchised Businesses and similar medical management businesses or similar medspas or medical centers, in non-traditional or captive locations, within or outside of the Territory, including, without limitation, in mobile clinics or limited service temporary locations (such as at a "health fair" at a convention).

1.5. Modification of the System.

- 1.5.1. You understand and agree that the System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of us, you and all other franchisees. Accordingly, you expressly understand and agree that we may from time to time change the components of the System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that System; abandoning the System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which your Franchised Business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, décor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which you are required to observe hereunder; and changing, improving, modifying, or substituting other words or designs for, the Marks. You expressly agree to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase your obligations hereunder.
- 1.5.2. You shall accept, use and effectuate any such changes or modifications to, or substitution of, the System as if they were part of the System at the time that this Agreement was executed.
- 1.5.3. We shall not be liable to you for any expenses, losses or damages sustained by you as a result of any of the modifications contemplated hereby. You hereby covenant not to commence or join in any litigation or other proceeding against us or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. You expressly waive any claims, demands or damages arising from or related to the foregoing activities including, without limitation, any claim of breach of contract,

breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

1.6. Corporation, Limited Liability Company, or Partnership. If you are at any time an Entity, you agree and represent that:

- 1.6.1. You will have the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed, validly existing, and in good standing under the laws of the state of your incorporation or formation;
- 1.6.2. You will not alter, change, or amend your organizational documents, operating agreement, or partnership agreement, as applicable, without obtaining our approval, which approval we will not unreasonably deny or withhold, and will grant if such changes will not prevent you from performing your obligations under this Agreement;
- 1.6.3. Your organizational documents, operating agreement, partnership agreement, or stock certificates, as applicable, will recite that this Agreement restricts the issuance and transfer of any ownership interests in you, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement's restrictions;
- 1.6.4. Exhibit C to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. You agree to sign and deliver to us revised Exhibits C to reflect any permitted changes in the information that Exhibit C now contains;
- 1.6.5. Each of your owners holding at least a ten percent (10%) direct or indirect ownership interest during the Initial Term will execute a guaranty in the form attached hereto as Exhibit E, undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us;
- 1.6.6. The Operating Principal, as of the Effective Date, is identified in Exhibit C. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person from your Entity that we will recognize as having authority to communicate for and on your behalf and on behalf of your Entity. You may not change the Operating Principal without our prior written consent, which we will not unreasonably withhold provided that the proposed new Operating Principal meets our then-current qualifications and standards and successfully completes our then-current training programs as we may require; and
- 1.6.7. The Franchised Business will be the only business that the Entity may operate, and the Medspa will be the only business that the Entity may manage, and your organizational documents must reflect this (although the owners in the Entity may have other business interests subject to any restrictions on competitive businesses in Section 7 or Section 15.4).

2.

**OPENING OF FRANCHISED BUSINESS, LOCATION APPROVAL,
LEASE OF PREMISES, AND DEVELOPMENT**

2.1. Location Approval.

- 2.1.1. If you do not already have possession of a location that we have accepted upon your execution of this Agreement, then within six (6) months of the Effective Date, you must locate a site for the Franchised Business and Medspa that satisfies the site selection guidelines provided to you by us. You shall submit to us in the form specified by us a description of the site, including evidence reasonably satisfactory to us demonstrating that the site satisfies our site selection guidelines, together with such other information and

materials as we may reasonably require, including, but not limited to, a letter of intent or other evidence satisfactory to us which confirms your favorable prospects for obtaining the site. We shall have thirty (30) days after receipt of this information and materials to approve or not approve, in our sole discretion, the proposed site as the location for the Franchised Business. No site may be used for the location of the Franchised Business unless it is first approved in writing by us. We may require you to use our designated real estate broker in connection with your site selection process, and if we permit you to use your own real estate broker, then we can still require you to have engage our designated broker to oversee your site selection process. You acknowledge and agree that our approval of a location for the Franchised Business is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Franchised Business or the Medspa will be profitable. Our acceptance of a location for the Franchised Business only signifies that the location meets our then-current minimum criteria for a Franchised Business and Medspa. If you are unable to locate a site for your Franchised Business within six (6) months of signing this Agreement, we may terminate this Agreement or we may provide you with an extension of this timeframe.

- 2.1.2. Once we have approved the location you have proposed, the location will be designated as the Premises and we will establish the boundaries of your Territory. Your Territory may be described in terms of street, town or similar boundaries, or we may depict your Territory on a map that is attached to Exhibit A hereto. You must execute a lease which must be coterminous with this Agreement, or a binding agreement to purchase the Premises. We reserve the right to review and approve the terms of the lease or purchase agreement for the Premises, and we reserve the right to require that certain provisions be included in any lease for the Premises. You shall provide us with a copy of the executed lease or purchase agreement.
- 2.1.3. You may operate the Franchised Business only from the Premises, and you may not relocate the Franchised Business except with our prior written consent, in accordance with Section 2.6. The Premises may be used only for the operation of a Franchised Business and other related activities approved by us in writing. You shall not allow the Premises of the Medspa to be used for any other purpose.

2.2. Franchised Business Development.

- 2.2.1. You are responsible for developing the Franchised Business. We will give you mandatory and/or suggested specifications and layouts for your Premises, which may include color schemes, specific furniture and medical equipment, as well as a planogram for a typical Medspa layout, recommended office size and design, and required or recommended Operating Assets. We reserve the right to provide guidance to assist you in working with designated contractors and suppliers to complete the development and build out of the Medspa you will manage. You must engage the services of a designer or architect to develop plans for the build-out of your Franchised Business that are specific to the Premises. We may require you to use our designated contractor in connection with the buildout of your Medspa, and if we permit you to use your own contractor, then we can still require you to have engage our designated contractor to oversee your buildout process.
- 2.2.2. You shall:
 - (a) obtain a site plan and any modifications to our basic architectural plans and/or specifications for the Medspa, including requirements for dimensions, exterior design, materials, interior layout, equipment, fixtures, furniture, signs, and décor, consistent with applicable ordinances, building codes, and permit requirements.

You shall submit all construction plans or final floor plan to us for our approval before you may begin the construction process;

- (b) obtain all required zoning changes; all required building, driveway, utility, health, sanitation, and sign permits and any other required permits, which permits and approvals shall be maintained by you at all times;
- (c) arrange for the installation and delivery of equipment, fixtures, furniture and signs; and
- (d) complete the construction and/or remodeling, equipment, fixture, furniture and sign installation and decorating of the Medspa in full and strict compliance with plans and specifications approved by us and all applicable ordinances, building codes and permit requirements.

2.2.3. You shall work diligently to develop the Franchised Business at the Premises and have the Medspa ready to open by the Opening Date. Time is of the essence. We shall have the right to inspect the Franchised Business while it is being constructed and/or remodeled. You shall not open the Medspa for business until you have received our authorization to do so.

2.3. Operating Assets.

2.3.1. You agree to use in operating the Franchised Business only those Operating Assets that we approve for Medspas as meeting our specifications and standards for quality, design, appearance, function, and performance; provided, that you and we acknowledge and agree that the selection and use of any equipment and products used in connection with medical services provided by the PC to its patients will be subject to the PC's approval based on the professional opinion of the PC's physicians. You agree to place or display at the Premises only the signs, lettering, logos, and display materials that we approve, subject to, and only in strict compliance with, the local rules and regulations regarding the operation, management and advertising of or for a medspa or medical center. You agree to purchase or lease approved brands, types, or models of Operating Assets only from suppliers we designate or approve (which may include or be limited to us or our affiliate).

2.4. Computer System.

2.4.1. You agree to obtain and use the Computer System we specify. We may modify specifications for and components of the Computer System. Our modification of specifications for the Computer System, and/or other technological developments or events, might require you to purchase, lease, and/or license new or modified computer hardware and/or software and/or communications capabilities and to obtain service and support for the Computer System. Although we cannot estimate the future costs of the Computer System or required service or support, you agree to incur the costs of obtaining the computer hardware, software, and/or communications capabilities comprising the Computer System (or additions and modifications) and required service or support. You will be responsible for any costs that you incur in connection with the Computer System. Within sixty (60) days after you receive notice from us, you agree to obtain and install the Computer System components that we designate. In order to enable our auditing, business operations, healthcare operation activities and Our services, You agree to provide us access to your records. You agree to be responsible to obtain any necessary consents or authorizations required by applicable state or federal laws to permit our access to the records. You will maintain secure access and storage of the records to protect the privacy and security of any sensitive or personally identifiable information and You agree to provide secure access to us to protect the information. You must permit us unimpeded secure access to those aspects of the Computer System as we require in the manner, form, and at the times that we request to address our needs to the information as referenced above.

- 2.4.2. You agree that we may condition any license of proprietary software to you, or your use of technology that we develop or maintain, upon your signing a software license agreement or similar document with us or an approved vendor. We or our approved vendor may charge you a fee for any proprietary software or technology that is licensed to you and for other maintenance and support services provided.
- 2.4.3. You will have sole and complete responsibility for: (a) the acquisition, operation, maintenance, and upgrading of the Computer System; (b) the manner in which your Computer System interfaces with our and any third party's computer system; and (c) any and all consequences if the Computer System is not properly operated, maintained, and upgraded. You may not install any software, other than authorized upgrades, or make any hardware modifications to the Computer System that might hamper or interfere with the operation of the Computer System in the manner we require.
- 2.4.4. We have the right to specify in the Manual, or otherwise in writing, the information that you must collect and maintain through the Computer System and to do so at the intervals we designate. Subject to any applicable laws pertaining to the privacy of consumer, employee, and transactional information, including but not limited to the Health Insurance Portability and Accountability Act of 1996 ("**HIPAA**"), you agree to provide us, or designated suppliers of support services that use such data to provide services to the Franchised Business, with the reports that we may reasonably request. You agree to allow us to have independent access to the information generated or stored in your Computer System. During any periods that we have independent access, we may access the Computer System as we deem appropriate (including on a continual basis), and retrieve all information concerning your Franchised Business's operation, subject to your and our compliance with HIPAA (if applicable) or other applicable law relating to confidentiality of patient records. There are no contractual limitations on our right to access your Company System for information and data.
- 2.4.5. By execution of this Agreement, you and we agree to abide by the terms of the Business Associate Agreement regarding customers' protected health information, as provided in the Management Agreement at Exhibit J, the terms of which are hereby incorporated into and become effective with the execution of this Agreement. You agree to execute an amended Business Associate Agreement to the extent we determine such an amended agreement is necessary.
- 2.4.6. Prior to opening the Medspa, you shall pay us an one-time software licensing fee associated with computer software that we may require for use in your Medspa and/or are developing, utilizing, or enhancing for use in Medspas as we deem necessary in our sole discretion (the "**Initial Licensing Fee**"). In any event, the Initial Licensing Fee shall not exceed Two Thousand Five Hundred Dollars (\$2,500).
- 2.4.7. You must also purchase at least one (1) email address from our designated and approved vendor for use in connection with your Franchised Business and dermani MEDSPA® in accordance with our standards and specifications (additional email addresses can be purchased for an additional fee).

2.5. Opening of the Franchised Business.

- 2.5.1. You agree not to open the Franchised Business until:
 - (a) the Franchised Business meets our standards and specifications (although our acceptance is not a representation or warranty, express or implied, that the Franchised Business complies with any licensing, labor, building, fire, occupational, landlord's insurance, safety, governmental, or other statutes, rules,

regulations, requirements, or recommendations, nor a waiver of our right to require continuing compliance with our requirements, standards, or policies);

- (b) you have received all required state and local government certifications, permits, and licenses necessary for the management of a Medspa, and the PC has certified to you that it has received all required state and local government certifications, permits and licenses necessary for the operation of a Medspa, including any required licenses and certifications for its personnel;
- (c) you or your Operating Principal and your manager, and other personnel (if any), have satisfactorily completed all training that we require for each such person;
- (d) you pay the initial franchise fee and other amounts then due to us;
- (e) you have executed all agreements required prior to the opening of the Franchised Business, including, but not limited to, this Agreement, the lease, the Management Agreement, Business Associate Agreement, and any software license agreements;
- (f) you are not in default under or in violation of any agreements by and between you and us or any suppliers; and
- (g) you provide us certificates of insurance for all required insurance policies.

2.5.2. Subject to your compliance with these conditions, and except as we may otherwise approve, you agree to open the Medspa by the Opening Date. If you are unable to open the Medspa by the Opening Date, we may terminate this Agreement or we may provide you with an extension of this timeframe.

2.6. Relocation of the Franchised Business.

2.6.1. If you are unable to continue the operation of the Franchised Business at the Premises because of the occurrence of a force majeure event (including acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, acts of terrorism, fire or other catastrophe or other forces beyond your control; provided, however, that force majeure shall not include your lack of financing), then you may request our approval to relocate the Franchised Business and Medspa to another location in the Territory, which approval shall not be unreasonably withheld. Any other relocation outside the Territory or a relocation of the Franchised Business and Medspa not caused by force majeure shall also be subject to our prior approval, which we may provide in our sole discretion. If we elect to grant you the right to relocate the Franchised Business and Medspa, then you shall comply with the site selection and construction procedures set forth in this Section 2. Upon our approval of your relocation request, you shall pay to us a relocation fee in an amount equal to the lesser of \$5,000 or the costs and expenses we incur in connection with the relocation of your Franchised Business and Medspa.

3. FEES

3.1. Initial Franchise Fee. You agree to pay us a non-recurring initial franchise fee in the amount of Forty-Five Thousand Dollars (\$49,500). If this Agreement is for your second (2nd) or later Franchised Business, the initial franchise fee will be reduced by \$10,000. The initial franchise fee is payable in a lump sum upon execution of this Agreement, is fully earned by us when paid, and is not refundable under any circumstances.

3.2. **Royalty Fee.**

- 3.2.1. In consideration of the license granted to use the Marks and the System, and for the services provided to enable you to provide management services to the PC, you agree to pay us, in the manner provided below (or as the Manual otherwise prescribes), a Royalty Fee equal to five percent (5%) of the Gross Revenues of the Franchised Business. Such Royalty Fee shall be due and payable on Wednesday of each week based on the Gross Revenue for the preceding week ending Sunday, provided that such day is a business day. If the date on which such payments would otherwise be due is not a business day, then payment shall be due on the next business day.
- 3.2.2. Each such Royalty Fee shall be preceded by a royalty report itemizing the Gross Revenue for the preceding week ending Sunday ("**Royalty Report**") and any other reports required hereunder. Notwithstanding the foregoing, you shall provide us with such Royalty Report by Tuesday of each week in the manner and form that we specify. As stated herein, we have the right to poll your Computer System directly to obtain such financial information, but this does not diminish your responsibility to provide us with the required Royalty Report.

3.3. **System Marketing Fee.**

- 3.3.1. In addition to the Royalty Fee described in Section 3.2 above, we may require you to pay to us a System Marketing Fee in an amount up to two percent (2%) of the Gross Revenue. Such amount shall be contributed to a System Marketing Fund ("**System Marketing Fund**") maintained by us, as described in Section 9.2 below. The System Marketing Fee is payable to us at the same time and in the same manner as the Royalty Fee.
- 3.3.2. We may periodically receive allowances, rebates or other payments from approved suppliers based on purchases from such suppliers by our franchisees, and we may elect to contribute such allowances, rebates or other payments to the System Marketing Fund. You understand and acknowledge, however, that any such contribution of these amounts by us to the System Marketing Fund does not in any manner diminish or eliminate your responsibility to pay the System Marketing Fee. You must pay the System Marketing Fee in addition to your local advertising requirement.

3.4. **Interest on Overdue Amounts.** You shall not be entitled to withhold payments due us under this Agreement on grounds of alleged non-performance by us hereunder. Any payment or report not actually received by us on or before its due date shall be deemed overdue. Time is of the essence with respect to all payments to be made by you to us. All amounts which you owe us for any reason which are not paid when due will bear interest accruing as of their original due date at one and one-half percent (1.5%) per month or the highest commercial contract interest rate the law allows, whichever is less. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither you nor your owners shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder then such excess shall be repaid to the party that paid such interest.

3.5. **Application of Payments.** We may apply any of your payments to any of your past due indebtedness to us as we determine, regardless of your designation for such payment. We may set off any amounts you owe us or key suppliers against any amounts we owe you. You may not

withhold payment of any amounts you owe us due to our alleged non-performance of any of our obligations under this Agreement.

- 3.6. Method of Payment.** By executing this Agreement, you agree that we shall have the right to withdraw funds from your designated bank account by EFT in the amount of the Royalty Fee, System Marketing Fee, and any other payments due to us and/or our affiliates. You shall, upon execution of this Agreement or at any time thereafter at our request, execute such documents or forms as we or your bank determine are necessary for us to process EFTs from your designated bank account for the payments due hereunder. If payments are not received when due, interest may be charged by us in accordance with Section 3.4 above. Upon written notice to you, you may be required to pay such fees directly to us in lieu of EFT, at our sole discretion. We may require the payments, or automatic debits, be made more or less frequently than specified in Section 3.2, but not more frequently than once a week. You agree to comply with our payment instructions as they may be modified from time to time.
- 3.7. Payment of Taxes.** You must pay in a timely manner all local, state and federal sales, business, property, goods and services taxes and all other taxes, and fees levied or assessed by any governmental authority directly or indirectly in connection with the Franchised Business. You are responsible for all taxes levied or assessed on you or the Franchised Business in connection with your activities under this Agreement, including, without limitation, income taxes, sales taxes and unemployment taxes, and all other indebtedness of any kind incurred by you in the conduct of the business franchised under this Agreement. If you are required to deduct any sales tax, gross receipts tax, income tax, withholding tax or similar tax from any payment to us, then, to the extent that we are not able to successfully obtain and utilize a tax credit from the applicable taxing authorities, the amount payable by you shall be increased by such amount as is necessary to make the actual amount received (after such withholding of taxes) equal to the amount that we would have received had no tax payment been required, provided that such shortfall is not caused by our negligence in filing the claims, or for reasons that can be solely attributable to us. You shall submit a copy of all tax filings sent to federal, state and local tax authorities to us within ten (10) business days after such filing has been made with the appropriate taxing authority.
- 3.8. Insufficient Funds Fee.** If there are not sufficient funds in your account to permit us to debit the account for the payments you owe us, you will pay to us an insufficient funds fee equal to One Hundred Dollars (\$100). This fee is in addition to interest on any overdue amount, as described in Section 3.4 above, and any fees charged by your bank. If you incur three (3) insufficient funds fees within any twelve (12) month period, we may terminate this Agreement without providing you the opportunity to cure the default.
- 3.9. Social Media/Technology Fee.** You shall pay us our then-current monthly social media/technology fee (“**Social Media/Technology Fee**”), which is associated with developing, researching, maintaining, implementing, modifying, and/or upgrading technology used in the operation of the Franchised Business as we deem appropriate in our sole discretion. You shall pay the Social Media/Technology Fee in the manner we prescribe. We reserve the right to increase the Social Media/Technology Fee by no more than twenty percent (20%) each year, which in any event the maximum required Social Media/Technology Fee shall not exceed \$500 each month.
- 3.10. Software Fees.** You shall pay us our then-current ongoing software fee (“**Software Fee**”) associated licensing designated software, programs, applications, and/or other platforms, from us or our designee for the Franchised Business. We reserve the right to collect the Software Fee in the same manner and/or frequency as we collect Royalty Fees, or as we otherwise prescribe in writing.
- 3.11. Payment of Additional Fees.** You shall pay such other fees or amounts described in this Agreement.

- 3.12. No Fee Splitting; Restructuring of Fees.** Payment of the Royalty Fee, System Marketing Fee, or other payments hereunder are not intended to and shall not be interpreted or implied as permitting you to share fees for medical services if prohibited by applicable federal or state laws or regulations, but is acknowledged as the parties' negotiated fair market value compensation for the services and licenses furnished to you by us pursuant to this Agreement. You agree and acknowledge that it is your sole responsibility to ensure your full compliance with applicable federal and state laws and regulations, including, without limitation, those regarding the payment of fees to us as contemplated under this Agreement. You acknowledge and agree that each payment you make to us under this Agreement shall constitute and be deemed a representation by you that such payment complies with all applicable local, state, and federal laws. If at any time during the term, you interpret a change to applicable federal or state laws or regulations that, in either case, would cause (a) the reduction, prevention, or restriction upon you to pay us the full amount of the fees intended to be payable hereunder, including Royalty Fees and System Advertising Fees, or (b) the imposition of unintended or unanticipated obligations on us (e.g., joint employment with you or your employees), then (i) you must immediately notify us in writing of the change in the law or regulation, and (ii) we may add to, modify or restructure the arrangements and payment obligations under this Agreement to allow the full or comparable amount of the payments intended hereunder to be paid by you to us and for any and all new costs imposed on us to be reimbursed or paid by you. You shall cooperate with us in connection with any required or necessary changes. The parties further agree that if in our sole discretion, a restructuring or modification of the terms of, and/or relationship established by, this Agreement is not reasonably practical, then the parties agree to cooperate to terminate this Agreement.
- 3.13. No Referrals.** You shall not pay for or otherwise compensate any business, individual, or service in exchange for customer referrals for the PC in violation of any applicable federal or state law or regulation. You agree and acknowledge that it is your sole responsibility to ensure your full compliance with applicable federal and state laws or regulations with respect to "anti-kickback statutes."

4.

TRAINING AND ASSISTANCE

4.1. Initial Training for Franchised Business; Opening Assistance.

- 4.1.1.** We will conduct an initial training program for you or your Operating Principal, your manager, and up to two (2) additional employees, for a maximum of four (4) trainees, which will address the material aspects of managing and operating your Franchised Business. We will provide the initial training program at our headquarters or other location that we may specify. Within 14 days of attending our initial training program, you must pay us our initial training fee equal to \$5,000 (the "**Initial Training Fee**"). The Initial Training Fee covers the cost for a maximum of four (4) trainees to attend the same initial training program. We reserve the right to charge an additional training fee for any additional trainees that attend initial training. You agree to pay for all travel and living expenses which you incur and for your employees' wages and workers' compensation insurance during training.
- 4.1.2.** You or your Operating Principal and your manager must complete the initial training to our satisfaction at least 14 days prior to commencing operations of the Medspa. If you, your Operating Principal or your manager fail to complete the initial training to our satisfaction, then you, the Operating Principal or the manager may repeat the course or send a substitute to complete the next available training program. We reserve the right to charge you for substitute personnel that attend the next training program. If we determine

that you, your Operating Principal or your manager cannot complete initial training to our satisfaction, we may terminate this Agreement. Among the current criteria for satisfactory completion of training are attendance at all training classes, passing all interim and final tests and exams, and demonstrating a capability and willingness to comply with System Standards.

- 4.1.3. Your manager and any other personnel that we designate, must meet minimum qualifications and complete any training programs that we may require, prior to managing the Medspa or training other personnel. If, at any time during the term of the Franchise Agreement, we learn or determine that a person is regarded as no longer complying with our standards and procedures, then we may require that person satisfactorily complete training or a re-training program. We reserve the right to charge for re-training personnel. In addition, all management personnel and other personnel working at the Franchised Business must satisfactorily complete all state and local government required training and must meet all required licensing and certification requirements.
- 4.1.4. Prior to the opening of the Medspa, we will, at our cost, send one of our representatives to the Franchised Business for a period of up to two (2) days to assist with pre-opening and opening of the Medspa. If you request, and we agree to provide, additional or special guidance, assistance, or training during this opening phase, you agree to pay our then-applicable charges, including our personnel per diem charges and travel and living expenses. If this Agreement is for your second (2nd) or later Franchised Business, we reserve the right to reduce the duration of our representative's visit or to not provide opening assistance.
- 4.1.5. You acknowledge and agree that any training we provide for your employees is geared to impart to those employees, with your ultimate authority, the various procedures, protocols, systems and operations of a Franchised Business and in no fashion reflects any employment relationship between us and such employees. If it is ever asserted that we are the employer, joint employer or co-employer of any of your employees in any private or government investigation, action, proceeding, arbitration or other setting, you irrevocably agree to assist us in defending said allegation, appearing at any venue requested by us to testify on our behalf; participating in depositions or other appearances; or preparing affidavits rejecting any assertion that we are the employer, joint employer or co-employer of any of your employees.

4.2. Refresher Training.

- 4.2.1. We may choose to hold refresher training courses, and we may designate that attendance at refresher training is mandatory for you, your Operating Principal, your manager, and/or other personnel. We may require you, your Operating Principal, your manager, and/or other personnel to attend up to five (5) refresher training courses each year. You must pay us our then-current training fee for such refresher training courses, currently \$500 per day, and you will pay for all of the expenses incurred by your trainees, including travel, lodging, meals and wages. We may also require the PC or its employees to attend and successfully complete training offered by an approved or designated third-party vendor, at your sole cost and expense.
- 4.2.2. You understand and agree that any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue or modify from time to time.

4.3. General Guidance.

- 4.3.1. We will advise you regarding the Franchised Business's operation based on your reports to us and/or our direct or indirect observations, and we will provide guidance to you with respect to: (a) standards, specifications, and operating procedures and methods regarding management of the Medspa; (b) advertising and marketing materials and programs; (c) employee training and recruiting programs; and (d) administrative, bookkeeping, and accounting procedures.
- 4.3.2. We will provide guidance in our Manual; in bulletins or other written materials; by electronic media; by telephone consultation; and/or at our location or the Franchised Business. If you request, and we agree to provide, additional or special guidance, assistance, or training, you agree to pay our then applicable charges, including our personnel per diem charges and travel and living expenses.

4.4. Operations Manual.

- 4.4.1. We will loan you during the Initial Term one (1) copy of our Manual, which may be in electronic form, and may include audiotapes, videotapes, compact disks, computer software, other electronic media, information distributed electronically or via the Internet or our extranet (if one is developed) and/or written materials. The Manual contains our System Standards that we periodically prescribe for the management and operation of a Franchised Business and a Medspa and information on your other obligations under this Agreement. We may modify the Manual periodically to reflect changes in System Standards. You agree and acknowledge that our Manual and other guidelines as we set forth in writing from time to time include some mandatory requirements, and some recommended practices.
- 4.4.2. You agree to keep your copy of the Manual current and in a secure location, electronically or otherwise, at the Franchised Business. If there is a dispute over its contents, our master copy of the Manual controls. You agree that the Manual's contents are confidential and that you will not disclose the Manual to any person other than Franchised Business employees who need to know its contents. You may not at any time copy, duplicate, record, or otherwise reproduce any part of the Manual. If your copy of the Manual is lost, destroyed, or significantly damaged, you agree to obtain a replacement copy from us.
- 4.4.3. At our option, we may post some, or all, of the Manual, marketing materials, exchanges of franchisee email, System discussion forums and System-wide communications (among other activities) on a restricted Website or extranet to which you will have access. The term "Website" as used in this Agreement means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including but not limited to the Internet, World Wide Web, social media and networking sites (such as Facebook, LinkedIn, Twitter, Instagram, virtual worlds, file, audio and video-sharing sites, and other similar social networking or media sites or tools), blogs, vlogs, and other applications, etc. If we do so, you agree to monitor and access the Website for any updates to the Manual or System Standards. Any passwords or other digital identifications necessary to access the Manual on a Website will be deemed to be part of the Confidential Information.

4.5. Advisory Council.

- 4.5.1. We may, in our discretion, form an advisory council to work with us to improve the System, the products and services offered by Medspas, advertising conducted by the System Marketing Fund, and any other matters that we deem appropriate. If an advisory council is formed, it will act solely in an advisory capacity, and will not have decision making

authority. We will have the right to form, change, merge or dissolve any advisory council. We may develop by-laws for any advisory council.

- 4.5.2. If formed, an advisory council may be comprised of our representatives and franchisee representatives and all franchisees are required to participate in council-related activities and meetings, and to pay any dues assessed for the administration of that program. We will also pay dues for our representatives that participate in the advisory council. If you participate on an advisory council, you will pay any expenses you incur related to your participation, such as travel and living expenses to attend council meetings.

4.6. Franchisee Meetings.

- 4.6.1. We may choose to hold an annual meeting of our franchisees to provide additional training, introduce new products or services that Medspas will provide, changes to the System, or for other reasons. We may designate that attendance at an annual meeting is mandatory for you, your Operating Principal, your manager, and/or other personnel, which in any event will not exceed three (3) days each year. We will not charge you a fee to attend the meeting, but you will pay for all of the expenses incurred by your attendees at the meeting, including travel, lodging, meals and wages. We will designate the location of any franchisee meeting.

5. MARKS

- 5.1. Ownership and Goodwill of the Marks.** You understand and acknowledge that we are the owner or the licensee of the owner of the Marks with the right to license others to use the Marks used in connection with Franchised Businesses and Medspas. All references herein to our right, title and interest in and to the Marks shall be deemed to include the owner's right, title and interest in and to the Marks. Your right to use the Marks is derived only from this Agreement and limited to your operation of the Franchised Business pursuant to this Agreement and all System Standards. Your unauthorized use of the Marks is a breach of this Agreement and infringes on our rights in the Marks. You acknowledge and agree that your use of the Marks, and any goodwill established by that use, are exclusively for our benefit and that this Agreement does not confer any goodwill or other interests in the Marks upon you. All provisions of this Agreement relating to the Marks apply to any additional proprietary trade and service marks we authorize you to use. You may not, at any time during or after this Agreement's term, use, contest or assist any other person in contesting the validity of our ownership of the Marks.

5.2. Limitations on Your Use of the Marks.

- 5.2.1. You agree to use the Marks as the Franchised Business's sole identification, except that you agree to identify yourself or the Entity as the independent owner of the Franchised Business in the manner we prescribe. Your use of the Marks will be limited to uses related to the management and administrative support of the Medspa, and may not in any way, explicitly or implicitly, relate to the provision of any medical services. You may not use any Mark, any derivatives of the Marks or similar mark: (a) as part of any corporate or legal business name, (b) with any prefix, suffix, or other modifying words, terms, designs, or symbols (other than logos we have licensed to you), (c) in selling any unauthorized services or products, (d) as part of any domain name, homepage, electronic address, or otherwise in connection with a Website, or (e) in any other manner that we have not expressly authorized in writing.

- 5.2.2. You may not use any Mark in advertising the transfer, sale, or other disposition of the Franchised Business or an ownership interest in you without our prior written consent, which we will not unreasonably withhold. You agree to display the Marks prominently as we prescribe at the Franchised Business and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law.
- 5.3. **Notification of Infringements and Claims.** You agree to notify us immediately of any apparent infringement or challenge to your use of any Mark, or of any person's claim of any rights in any Mark, and not to communicate with any person other than us, our attorneys, and your attorneys, regarding any infringement, challenge, or claim. We may take the action we deem appropriate (including no action) and control exclusively any litigation, U.S. Patent and Trademark proceeding, or other administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning any Mark. You agree to sign any documents and take any other reasonable action that, in the opinion of our attorneys, are necessary or advisable to protect and maintain our interests in any litigation or U.S. Patent and Trademark or other proceeding or otherwise to protect and maintain our interests in the Marks. We will reimburse you for your costs of taking any action that we have asked you to take.
- 5.4. **Discontinuance of Use of the Marks.**
- 5.4.1. If it becomes advisable at any time for us and/or you to modify or discontinue using any Mark and/or to use one or more additional or substitute trademarks or service marks, you agree to comply with our directions within a reasonable time after receiving notice. We are not required to reimburse you for your expenses of changing the Franchised Business's signs, for any loss of revenue due to any modified or discontinued Mark, or for your expenses of promoting a modified or substitute trademark or service mark.
- 5.4.2. Our rights apply to any and all of the Marks (and any portion of any Mark) that we authorize you to use in this Agreement. We may exercise these rights at any time and for any reason. You acknowledge both our right to take such action and your obligation to comply with our directions.
- 5.5. **Indemnification for Use of the Marks.** We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of any Mark under this Agreement, provided you have notified us immediately upon your becoming aware of such infringement, you comply with our directions in responding to the proceeding, and you have used the Mark(s) in compliance with this Agreement, the Manual, and other directives from us. At our option, we may defend or control the defense of any proceeding arising from your use of any Mark under this Agreement.

6. CONFIDENTIAL INFORMATION

- 6.1. We possess (and will continue to develop and acquire) certain Confidential Information, some of which constitutes trade secrets under applicable law, relating to developing and operating Franchised Businesses and Medspas, including:
- 6.1.1. site selection and territorial criteria;
- 6.1.2. training and operations materials and manuals;

- 6.1.3. methods, formats, specifications, standards, systems, procedures, sales and marketing techniques, knowledge, and experience used in developing and managing Medspas and offering or selling certain medspa products or services;
 - 6.1.4. marketing and advertising programs for Medspas;
 - 6.1.5. knowledge of, specifications for, and suppliers of Operating Assets, and other products and services;
 - 6.1.6. any computer software or similar technology which is proprietary to us or the System, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
 - 6.1.7. knowledge of the operating results and financial performance of Medspas and Franchised Businesses (subject to compliance with HIPAA and other requirements);
 - 6.1.8. graphic designs and related intellectual property; and
 - 6.1.9. any passwords or other digital identifications necessary to access the Manual on a Website.
- 6.2.** You acknowledge and agree that you will not acquire any interest in the Confidential Information by virtue of this Agreement or otherwise, other than the right to use it as we specify in operating the Franchised Business during this Agreement's Initial Term, and that the Confidential Information is proprietary and is disclosed to you only on the condition that you agree that you:
- 6.2.1. will not use Confidential Information in any other business or capacity;
 - 6.2.2. will keep each item deemed to be part of Confidential Information absolutely confidential, both during the Initial Term and then thereafter for as long as the item is not generally known in the employment and/or health care industries;
 - 6.2.3. will not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form; and
 - 6.2.4. will adopt and implement reasonable procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to Franchised Business personnel and others and using non-disclosure and non-competition agreements (in the form attached as Exhibit F to this Agreement) with those having access to Confidential Information. We have the right to regulate the form of agreements that you use and to be a third-party beneficiary of those agreements with independent enforcement rights. You are obligated to maintain in your files those executed confidentiality agreements we specify and make them available to us upon request.
- 6.3.** Confidential Information does not include information, knowledge, or know-how which you can demonstrate lawfully came to your attention before we provided it to you directly or indirectly; which, at the time we disclosed it to you, already had lawfully become generally known in the health care management and/or medical spa industries through publication or communication by others (without violating an obligation to us); or which, after we disclose it to you, lawfully becomes generally known in the health care management and/or medical spa industries through publication or communication by others (without violating an obligation to us). However, if we include any matter in Confidential Information, anyone who claims that it is not Confidential Information must prove that one of the exclusions provided in this paragraph is fulfilled.
- 6.4.** All ideas, concepts, techniques, or materials relating to a Franchised Business, whether or not protectable intellectual property and whether created by or for you or your employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent that any item does not qualify as a "work

made-for-hire” for us, by this paragraph you assign ownership of that item, and all related rights to that item, to us and agree to take whatever action (including signing an assignment or other documents) we request to evidence our ownership or to help us obtain intellectual property rights in the item. Notwithstanding the generality of the foregoing, in the event the PC has assigned to you any ideas, concepts, techniques, or materials relating to the Franchised Business, as contemplated herein, then ownership of any item assigned by the PC to you shall be then be assigned by you to us.

7.

EXCLUSIVE RELATIONSHIP

- 7.1.** You acknowledge that we have granted you the right to develop and operate the Franchise Business in consideration of and in reliance upon your agreement to deal exclusively with us. You therefore agree that during this Agreement’s term, you and any of your Immediate Family Members who have attended any of our training programs, or have participated in any aspects of the operation or management of the Franchised Business or otherwise may have access to Confidential Information, will not directly or indirectly:
- 7.1.1. own, maintain, operate, engage in, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that an equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);
 - 7.1.2. be or perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;
 - 7.1.3. divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or
 - 7.1.4. engage in any other activity which might injure the goodwill of the Marks or System.
- 7.2.** You agree to obtain similar covenants from the personnel and persons we specify including your directors, managers and other employees attending our training program or having access to the Confidential Information and immediate family members. We have the right to regulate the form of agreement that you use and to be a third-party beneficiary of those agreements with independent enforcement rights.

8.

SYSTEM STANDARDS

8.1. Condition and Appearance of the Franchised Business.

- 8.1.1. You will maintain the condition and appearance of the Franchised Business, its Operating Assets, and the Premises in accordance with System Standards and consistent with the image of a Medspa as an efficiently operated business offering high quality professional services and products and observing high standards of patient service and care, and providing efficient, courteous service, and you will take, without limitation, the following actions during the term of this Agreement: (i) repainting, repairing, and refurbishing of the Premises at intervals we prescribe; (ii) repair or replacement of damaged, worn out or obsolete Operating Assets; and (iii) you may place or display at the Premises only those signs, photographs, artwork, logos, and display and advertising materials that we approve;

- 8.1.2. If at any time the general state of repair, appearance or cleanliness of the Premises or its Operating Assets does not meet our standards and specifications, we have the right to notify you specifying the action you must take to correct the deficiency. You will have ninety (90) days to comply with such notice. If you do not initiate action to correct such deficiencies within ninety (90) days after receipt of our notice, we have the right, without liability for trespass or tort and in addition to all other remedies, to enter the Premises and do any required maintenance or refurbishing on your behalf, and you agree to reimburse us for any expenses we incur in connection therewith; and
- 8.1.3. On notice from us, you agree, at your expense, to remodel, expand, redecorate, reequip and/or refurbish the Premises and the Franchised Business to reflect changes in the operations of the Medspa which we prescribe and require of new franchisees.

8.2. Franchised Business Services, Specifications, Standards, and Procedures. You agree that:

- 8.2.1. the Franchised Business will provide all of the management services to the Medspa and that the Medspa (and not you or the Franchised Business) will offer medical and patient care services;
- 8.2.2. the Franchised Business will offer and sell approved services and products only in the manner we prescribe;
- 8.2.3. you will not offer for sale or sell at or from the Franchised Business, any services or products we have not approved;
- 8.2.4. we have the right to revoke our approval of services or products to be offered or sold at or from the Franchised Business, and you will discontinue selling and offering for sale any services or products that we revoke or disapprove in writing; and
- 8.2.5. you will be responsible for the PC operating in accordance with the Management Agreement (or if you sign a Waiver of Management Agreement, operating the Medspa in accordance with the Waiver of Management Agreement).

8.3. Approved Products and Suppliers.

- 8.3.1. We have the right to designate Products as mandatory or optional. We reserve the right to approve specifications or suppliers of the Products that meet our reasonable standards and requirements. You agree to purchase only such Products meeting those specifications, and if we require it, only from suppliers we have approved, which may include us or our affiliate.
- 8.3.2. We may concentrate purchases with one or more suppliers to obtain lower prices or advantageous advertising support or services. Approval of a supplier may be conditioned on requirements relating to Product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service, including prompt attention to complaints, or other criteria and may be temporary, pending our continued evaluation of the supplier.
- 8.3.3. All Products you make available at the Medspa, and all equipment, fixtures, furniture, exterior and interior signs and decorations, uniforms, forms and cleaning and sanitation materials and other supplies and materials used in the operation of the Franchised Business and the Medspa, must be approved and conform to the specifications and quality standards established by us.
- 8.3.4. At the time the Medspa opens for business, you will stock the initial inventory of supplies, equipment and materials prescribed by us and/or required by the PC. Thereafter, you will stock and maintain all types of supplies, equipment and materials which we prescribe or

are required by the PC, in quantities sufficient to meet reasonably anticipated customer demand. Additionally, requirements relating to equipment and products to be used in connection with medical services provided to patients by the PC will be subject to the PC's approval.

- 8.3.5. You acknowledge and agree that we may establish one or more preferred vendor programs with one or more nationally or regionally known suppliers who are willing to supply all or some Franchised Businesses with some or all of the Products that we require for use and/or sale in the development and/or management of the Medspas. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Products, and/or refuse any of your requests if we believe that this action is in the best interest of the System or the network of Franchised Businesses and Medspas. We will have unlimited rights to approve or disapprove the suppliers who may be permitted to sell Products to you.
- 8.3.6. You acknowledge and agree that we will have the right to collect and retain all Allowances offered by suppliers to us based upon your purchases of Products. These Allowances may be based on System-wide purchases of Products. You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us or our designee to collect and retain any and all such Allowances without restriction (unless otherwise instructed by the supplier). If we do so, then you hereby acknowledge that you will not assert any interest in such monies.

8.4. Approval of New Products and Suppliers. If you wish to purchase, lease or use any products that we have not previously approved, or you wish to purchase or lease from a supplier we have not previously approved, you must submit a written request for approval or you must request the supplier to do so. You must pay our then-current evaluation fee for each product or supplier you request that we evaluate, plus the costs we incur in connection with testing, inspecting, and evaluating the proposed product or supplier. We must approve any product or supplier in writing before you make any purchases of that product or from that supplier. We can require that our representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier fails to continue to meet any of our then-current standards in our sole discretion. Our supplier approval procedure does not obligate us to approve any particular supplier. We will notify you in writing within thirty (30) days after you have requested our approval whether the proposed product or supplier is, in fact, approved or disapproved. We are not required to make available to you or to any supplier our criteria for product or supplier approval. We are not obligated to approve any specific product or supplier if we believe that approval of that product or supplier is not in the best interests of the System. We may revoke our prior approval of any product or supplier at any time, and after your receipt of written notice from us regarding our revocation you must stop using that product or stop purchasing from that supplier.

8.5. Management of the Franchised Business; Conflicting Interests.

- 8.5.1. You or your Operating Principal must manage and provide general oversight of the Franchised Business on a full-time basis. Your failure to have the Franchised Business managed on a full-time basis by you or your Operating Principal is a default for which we may terminate this Agreement if such default continues for thirty (30) days after receiving notice from us. You must keep us informed at all times of the identity of any supervisory employee(s), including your Operating Principal, your manager and the Medspa's physician(s) and other individuals providing medical services. You must make sure that the Franchised Business is staffed with adequate non-medical personnel to meet the needs

of the Medspa, and you must make sure that the Medspa is staffed with adequate medical personnel to efficiently and effectively meet member and clientele needs.

- 8.5.2. If you own or control more than one Franchised Business, we reserve the right to require you to be an Entity, and each Franchised Business must be under the direct on-premises supervision of one of your principals who is designated as the Operating Principal for that Franchised Business and who has completed our training program to our satisfaction.

8.6. Insurance.

- 8.6.1. You must maintain in force, at your sole expense, the insurance coverages that we require. We reserve the right to designate the insurance agent you must use to assist you in obtaining the required insurance. We may also, in the future, establish a company-owned package of insurance coverages in which you and all other franchisees must participate, and in this event you would pay insurance premiums to us.
- 8.6.2. Your insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible, duly licensed carrier or carriers acceptable to us and having a rating of at least “A” with A.M. Best Company. Currently you must maintain the following insurance:
- (a) business interruption insurance covering a minimum of twelve (12) months of income, including coverage for our continuing fees, and with us named as a loss payee with respect to our continuing fees;
 - (b) commercial general liability insurance with minimum limits of One Million Dollars (\$1,000,000) per occurrence and Two Million Dollars (\$2,000,000) annual aggregate;
 - (c) automobile liability insurance, including owned, hired, and non-owned vehicle coverage, with a minimum combined single limit of One Million Dollars (\$1,000,000) per occurrence;
 - (d) workers’ compensation insurance with minimum employers’ liability limits of One Million Dollars (\$1,000,000) each accident, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the Medspa is located;
 - (e) umbrella liability insurance with minimum limits of Two Million Dollars (\$2,000,000) per occurrence and annual aggregate;
 - (f) medical professional liability insurance with minimum limits of One Million Dollars (\$1,000,000) per occurrence and Three Million Dollars (\$3,000,000) annual aggregate;
 - (g) property insurance providing coverage for direct physical loss or damage to real and personal property for all risk perils, including the perils of flood and earthquake, with minimum limits of Two Hundred Thousand Dollars (\$200,000); and
 - (h) any insurance required by the terms of your lease or that we may require in the future.
- 8.6.3. In addition, you must arrange for the PC to obtain and maintain professional liability coverage with limits of at least One Million Dollars (\$1,000,000) for each incident and Three Million Dollars (\$3,000,000) annually for itself and naming you and us as an additional insured. You may also carry this insurance for your PC if the insurance provides the protections required by us, under this Agreement and in the Manuals.

8.6.4. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. We must be named as an additional insured on a primary and non-contributory basis on the following policies: commercial general liability insurance, automobile liability insurance, and umbrella liability insurance. The insurance policies must provide for thirty (30) days' prior written notice to us of a policy's material modification, cancellation or expiration. You must routinely furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and payment of premiums, including without limitation, completed policy endorsements. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies, we may obtain comparable insurance for you and the Franchised Business on your behalf, in which event you shall cooperate with us and reimburse us for all premiums, costs and expenses we incur in obtaining and maintaining the insurance, plus a ten percent (10%) administrative fee for our time incurred in obtaining the insurance.

8.7. Compliance with System Standards.

8.7.1. You acknowledge and agree that operating and maintaining the Franchised Business according to System Standards is essential to preserve the goodwill of the Marks and all Franchised Businesses and Medspas. Therefore, you agree at all times to operate and maintain the Franchised Business according to all of our System Standards. Although we retain the right to establish and periodically modify System Standards, you retain the right to and responsibility for the day-to-day management and operation of the Franchised Business and implementing and maintaining System Standards at the Franchised Business. If you fail to implement, maintain, and/or comply with System Standards, we may terminate your right to operate the Franchised Business, and/or take other actions to enforce the System Standards.

8.7.2. As examples, and without limitation, recommended and mandatory System Standards may regulate any one or more of the following, in addition to the items described in Sections 8.1 through 8.6 above:

- (a) all management and administrative services provided to the Medspa or otherwise used in connection with operating the Franchised Business;
- (b) maintaining a competent, conscientious, trained staff in numbers sufficient to promptly service customers. You shall comply with all applicable employment and wage and hour laws and regulations. You are solely responsible for all employment decisions and functions of the Franchised Business including, without limitation, those related to hiring, firing, training, compliance with wage and hour requirements, personnel policies, scheduling, benefits, recordkeeping, supervision, and discipline of employees, regardless of whether you receive advice from us on these subjects. You acknowledge and agree that all personnel decisions, including hiring, firing, disciplining, compensation, benefits, and scheduling, shall be made by you, without any influence or advice from us, and such decisions and actions shall not be, nor be deemed to be, a decision or action of us. Further, it is the intention of the parties to this Agreement that we shall not be deemed a joint employer with you for any reason;
- (c) sales, marketing, advertising, and promotional programs and materials and media used in these programs;

- (d) use and display of the Marks at the Franchised Business and at the Medspa, and on signs, contracts, products and supplies;
- (e) days and hours of operation;
- (f) participation in market research and testing and product and service development programs as well as participation in, and dues assessed for, advisory councils;
- (g) accepting credit and debit cards, other payment systems, and check verification services;
- (h) participation in, and compliance with, private and government-sponsored insurance and reimbursement programs;
- (i) bookkeeping, accounting, data processing, and recordkeeping systems and forms; formats, content, and frequency of reports to us of sales, revenue, financial performance, and condition; and providing us copies of tax returns and other operating and financial information concerning the Franchised Business;
- (j) submitting to us all press releases relating to the Medspa for our prior written approval;
- (k) minimum rates for the products and services you are permitted to advertise and/or offer at the Medspa (subject to applicable law);
- (l) membership reciprocity and reconciliation policies and procedures between your Franchised Business and other Medspas (as described more fully in Sections 8.10 and 8.11 below); and
- (m) any other aspects of operating and maintaining the Franchised Business that we determine to be useful to preserve or enhance the efficient operation, image, or goodwill of the Marks, Franchised Businesses and Medspas.

8.7.3. You acknowledge and agree that as part of the System Standards, we have the right to designate Products as mandatory or optional for use in connection with the operation of the Franchised Business, and that you obtain such Products only from suppliers that we approve or designate. You agree that System Standards we prescribe in the Manual, or otherwise communicate to you in writing, are part of this Agreement as if fully set forth within its text. All references to this Agreement include all System Standards as periodically modified.

8.7.4. Not including any monetary defaults, we may charge you our then-current non-compliance fee (“**Non-compliance Fee**”), as set forth in the Manual or otherwise, in the event you fail to fully comply with any of our then-required System Standards. This Non-Compliance Fee is in addition to all other rights or remedies available to us under this Agreement or applicable law.

8.8. Modification of System Standards. We periodically may modify System Standards, and these modifications may obligate you to invest additional capital in the Franchised Business and/or incur higher operating costs. You agree to implement any changes in System Standards within the time period we request, whether they involve refurbishing or remodeling the Premises or any other aspect of the Franchised Business, buying new Operating Assets, adding new services, or otherwise modifying the nature of your operations, as if they were part of this Agreement as of the Effective Date.

8.9. Power of Attorney for Telephone Listings, etc. Upon the execution of this Agreement or at anytime thereafter, you shall, at our option, execute such forms and documents as we deem necessary, including the agreements attached hereto as Exhibit I, to appoint us as your true and

lawful attorney-in-fact with full power and authority for the sole purpose of assigning to us only upon the termination or expiration of this Agreement,: (i) all rights to the telephone numbers of the Franchised Business and any related and other business listings; and (ii) Internet listings, domain names, Internet Accounts, advertising on the Internet or World Wide Web, Websites, listings with search engines, e-mail addresses or any other similar listing or usages related to the Franchised Business. You agree that you have no authority to and shall not establish any Website or listing on the Internet or World Wide Web without our express written consent, which consent may be denied without reason.

- 8.10. Membership Reciprocity.** During the term of this Agreement, upon proof that an individual is a valid and current member of another dermani Medspa location, you must allow any such member of another dermani Medspa location to receive services at your Medspa in accordance with our then-current reciprocity and payment rules, guidelines, and procedures we specify in the Manual or otherwise in writing.
- 8.11. Participation in Special Programs.** You must, at your expense, fully participate in and honor all designated, sponsored, and approved loyalty benefit programs we establish or modify as set forth in the Manual or otherwise in writing (collectively, the “**Special Programs**”), and in accordance with our System standards and specifications, subject to your compliance with all applicable federal, state, and local laws and regulations in your Territory regarding the Special Programs. We reserve the right to establish and maintain a mystery shopper program or other compliance assessment. If we establish such program(s), we may require you to pay for the costs and fees and such program(s).

9. MARKETING

9.1. Marketing Contributions and Expenditures; Participation in Marketing.

- 9.1.1. You acknowledge and recognize the value of the System and Marks, the need to develop, enhance, and promote the System and Marks, and the need to advertise and market the System and Medspas. You also acknowledge and recognize the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the System, Franchised Businesses and Medspas. Therefore, you agree to: (a) contribute to the System Marketing Fund, (b) make local advertising and marketing expenditures, and (c) join and make contributions to a Cooperative, if and when established.
- 9.1.2. We may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all dermani MEDSPA® franchised businesses operating under the System. You shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by us for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by us shall be final and binding upon you.
- 9.1.3. We may, from time to time, incorporate into the System programs, products or services which we either develop or otherwise obtain rights to, which are offered and sold under names, trademarks and/or service marks other than the Marks and which your Franchised Business, along with other dermani MEDSPA® franchised businesses, will be required to offer and sell. This activity, referred to as “cobranding”, may involve changes to the Marks and may require you to make modifications to your Premises and the furniture, fixtures, equipment, signs and trade dress of your Franchised Business. If you receive written notice that we are instituting a cobranding program, you agree promptly to implement that

program at your Franchised Business at the earliest commercially reasonable time and to execute any and all instruments required to do so. Under no circumstance will any cobranding program increase your Royalty Fees, System Marketing Fee or local marketing expenditure obligations under this Agreement.

9.2. System Marketing Fund.

- 9.2.1. The image of the dermani MEDSPA® brand, the Marks, Franchised Businesses, and Medspas held by the public in general, by patients, and by Medspa managers and employees, is important to the System and the Marks. We reserve the right to establish a System Marketing Fund for the enhancement and protection of the dermani MEDSPA® brand and Marks, and for the advertising, marketing, and public relations programs and materials.
- 9.2.2. The System Marketing Fund, all contributions thereto, and any earnings thereon, shall be used exclusively (except as otherwise provided in this Section 9.2), in our sole discretion, to meet any and all costs of maintaining, administering, directing, conducting, creating and/or otherwise preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including, without limitation, the costs of preparing and/or conducting: media advertising campaigns; social media campaigns; direct mail advertising; marketing surveys and other public relations activities; employing advertising and/or public relations agencies to assist therein; brand research and development; developing and hosting marketing, brand development and enhancement, and customer engagement seminars for franchisees; purchasing promotional items; developing new or modified trade dress and marks; point-of-purchase (POP) materials; design and photographs; conducting and administering visual merchandising, and other merchandising programs; purchasing media space or time (including all associated fees and expenses); administering regional and multi-regional marketing and advertising programs; market research and customer satisfaction surveys; developing and implementing customer membership, loyalty and gift card programs; customer retention programs; customer surveys and mystery shopper programs; the creative development of, and actual production associated with, premium items, giveaways, promotions, contests, public relation events, and charitable or non-profit events; developing, implementing and maintaining an electronic commerce website and/or related strategies; maintaining and developing one or more Websites devoted to the System, the Proprietary Marks and/or the “dermani MEDSPA®” brand; and providing promotional and other marketing materials and services to the Medspas operated under the System. The System Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we shall have the right to determine will promote general public awareness and favorable support for the System.
- 9.2.3. We will account for the System Marketing Fund separately from our other funds and monies and not use the System Marketing Fund for any of our general operating expenses. However, we may use the System Marketing Fund to pay administrative costs of the System Marketing Fund including managing the advertising, marketing, and promotional programs and payment of outside suppliers utilized by the System Marketing Fund, and we may use the System Marketing Fund to pay the reasonable salaries and benefits of personnel (including our personnel) who manage and administer the System Marketing Fund. We may use the System Marketing Fund to pay for other administrative costs, travel expenses of personnel while they are on System Marketing Fund business, meeting costs, overhead concerning System Marketing Fund business, and other expenses that we incur

in activities reasonably related to administering or directing the System Marketing Fund and its programs. We may use money from the System Marketing Fund for collecting the System Marketing Fee (including attorneys', auditors' and accountants' fees and other expenses incurred in connection with collecting any System Marketing Fee). If we use a portion of the System Marketing Fund toward the cost to develop and maintain one or more Websites, any of them may have a section relating to our franchise opportunity, and all advertising and promotional materials may reflect the availability of dermani MEDSPA® franchises. Otherwise, we do not use System Marketing Fund monies for advertising that is principally a solicitation for the sale of franchises.

- 9.2.4. The System Marketing Fund will not be our asset. Although the System Marketing Fund is not a trust, we will hold all System Marketing Fund contributions for the benefit of the System, the dermani MEDSPA® brand, and the contributors, and use contributions only for the purposes described in this Section 9.2. We do not owe any fiduciary obligation to you for administering the System Marketing Fund or any other reason. The System Marketing Fund may spend in any fiscal year more or less than the total System Marketing Fund contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We will use all interest earned on System Marketing Fund contributions to pay costs before using the System Marketing Fund's other assets.
- 9.2.5. We will prepare an annual, unaudited statement of System Marketing Fund collections and expenses. The statement is available for your review upon written request, one hundred twenty (120) days after our fiscal yearend. We may have the System Marketing Fund audited annually, at the System Marketing Fund's expense, by an independent certified public accountant. We may incorporate the System Marketing Fund or operate it through a separate entity whenever we deem appropriate. The successor entity will have all of the rights and duties specified in this Section.
- 9.2.6. Although we may use the System Marketing Fund, or portions of the monies in the System Marketing Fund, to create, develop, use and/or place advertising and promotional marketing materials and programs, and we may try to engage in brand enhancement activities that will benefit all Franchised Businesses and Medspas, we cannot and do not represent or ensure that System Marketing Fund expenditures will be made in or affect any specific geographic area, or will be proportionate or equivalent to System Marketing Fund contributions by Franchised Businesses operating in that geographic area. We do not guarantee or assure that any dermani MEDSPA® franchised business will benefit directly or in proportion to its System Marketing Fund contribution from the brand enhancement activities of the System Marketing Fund or the development of advertising and marketing materials or the placement of advertising and marketing.
- 9.2.7. We have the right to use collection agents and institute legal proceedings to collect System Marketing Fund contributions at the System Marketing Fund's expense. We also may forgive, waive, settle, and compromise all claims by or against the System Marketing Fund. Except as expressly provided in this Section, we assume no direct or indirect liability or obligation to you for collecting amounts due to, maintaining, directing, or administering the System Marketing Fund.
- 9.2.8. Although the System Marketing Fund is intended to be perpetual, we may terminate the System Marketing Fund at any time. The System Marketing Fund will not be terminated until all monies in the System Marketing Fund have been spent in the manner as described in this Section 9.2. If we terminate the System Marketing Fund, we have the right to

reinstate it at any time and you must again contribute to the System Marketing Fund. Any reinstated System Marketing Fund will be maintained as described herein.

- 9.2.9. We or our affiliates that operate dermani MEDSPA®s will contribute to the System Marketing Fund at then-current rate that dermani MEDSPA® franchisees are required to contribute as set forth in our then-current and effective form of Franchise Disclosure Document.

9.3. Grand Opening Marketing Program. In addition to and not in lieu of the System Marketing Fund contribution and other expenditures for local marketing and promotion, you shall expend a minimum of Twenty Thousand Dollars (\$20,000) for grand opening advertising, marketing and promotional programs in conjunction with the initial opening of the Medspa you manage, pursuant to a grand opening marketing plan developed or approved in writing by us (“Grand Opening Marketing Program”). The Grand Opening Marketing Program must commence at least sixty (60) days prior to opening and conclude within sixty (60) days of opening. We may designate a different time period for you to conduct the Grand Opening Marketing Program. Your Grand Opening Marketing Program must include the promotional elements we require, and we must approve of your Grand Opening Marketing Program before it is conducted. At our request, you must give us the money for your Grand Opening Marketing Program and we will conduct the Grand Opening Marketing Program on your behalf.

9.4. Local Marketing.

- 9.4.1. Once your Grand Opening Marketing Program is completed, you must spend a minimum of Five Hundred Dollars (\$500) each month on local marketing and promotion of your Franchised Business and Medspa. Within thirty (30) days of our request, you must provide us with proof of your local marketing expenditures to our sole satisfaction.
- 9.4.2. If other Medspas are located within the directory’s distribution area, we may require you to participate in joint, collective, or market-wide advertising, marketing, or promotional campaigns or programs as part of your local marketing, and to pay your share of that joint, collective, or market-wide advertising, marketing, or promotional campaigns or programs.
- 9.4.3. All advertising and marketing materials must comply with our then-current standards, and we must approve all advertising and marketing materials before you use them. Except as described in Sections 9.7 and 9.8 below, you must not advertise or use our Marks in any fashion on the internet, world wide web or via other means of advertising through telecommunication, without our express written consent.

9.5. Cooperative Marketing. We may, in our discretion, create a regional marketing cooperative (“Cooperative”) in any area, or we may approve the creation of such a Cooperative by franchisees in the System, and establish the rules and regulations therefor. Immediately upon our request, you must become a member of the Cooperative for the area in which some or all of your Territory is located. In no event may the Franchised Business be required to be a member of more than one Cooperative. The Cooperative must be governed in the manner we prescribe. The Cooperative may require each of its members to make contributions thereto in an amount as agreed upon by the Cooperative members or as we may prescribe. You shall contribute such amounts at the times and in the manner as determined by majority vote of the Cooperative members. Any funds contributed to a Cooperative will be credited against your local marketing obligation; provided, however, that if your contributions to a Cooperative are less than your local marketing requirement, you shall nevertheless spend the difference locally. The following provisions apply to each Cooperative:

- 9.5.1. Each Cooperative shall be organized (including but not limited to bylaws and other organic documents) and governed in a form and manner, and shall commence operations on a date, approved in advance by us in writing. Unless otherwise specified by us, the activities

carried on by each Cooperative shall be decided by a majority vote of its members. Any dermani MEDSPA® centers that we or our affiliate operate in the region shall have the same voting rights as those owned by its franchisees. Each Medspa shall be entitled to cast one (1) vote;

- 9.5.2. the Cooperative must be organized for the exclusive purpose of administering advertising programs and developing, subject to our approval, standardized promotional materials for the members' use in local marketing within the Cooperative's area;
- 9.5.3. without our prior written approval, the Cooperative may not use, nor furnish to its members, any advertising or promotional plans or materials; all such plans and materials must be submitted to us in accordance with the procedure set forth in Section 9.6 below;
- 9.5.4. the Cooperative may require its members to periodically contribute to it in such amounts as it determines. Medspas owned and operated by us or our affiliates that are members of the Cooperative shall contribute to the Cooperative in the same amount as other members;
- 9.5.5. You shall submit your required contribution to the Cooperative at the time required under Section 3.2 above, together with such statements or reports as may be required by us or by the Cooperative with our prior written approval. If we request in writing, you shall submit you payments and reports to the Cooperative directly to us for distribution to the Cooperative.
- 9.5.6. Although once established, each Cooperative is intended to be of perpetual duration, we maintain the right to terminate any Cooperative. A Cooperative will not be terminated, however, until all monies in that Cooperative have been expended for marketing and/or promotional purposes.

9.6. Approvals.

- 9.6.1. Any marketing that you propose to use that has either not been prepared by us or has not been approved by us in the immediately preceding twelve (12) month period must be submitted to us for our review not later than ten (10) business days before you intend to use it or the deadline for running the advertisement. Unless we provide our disapproval of the proposed materials within five (5) business days after we have received them, the materials are deemed approved. Any materials you submit to us for our review will become our property, and there will be no restriction on our use or distribution of these materials.
- 9.6.2. We reserve the right to require you to include certain language in your local marketing and/or Cooperative marketing, such as "Franchises Available" and our website address and phone number.

- 9.7. **Online Management Services.** You shall pay the then-current online management fee (the "**Online Management Fee**") in connection with receiving online management services ("**Online Management Services**") from our designated vendor for your Medspa. At our option, we may collect the Online Management Fee ourselves, or require you to pay it directly to our designated vendor. If we collect the Online Management Fee ourselves, we may collect it in the same manner, frequency, and method as we collect the Royalty Fees, or as we specify in the Manual or otherwise in writing. The Online Management Services may include, without limitation, establishing your website "click through" subpage, establishing your Medspa's approved social media accounts, assisting with reputation management, managing Adwords and Social media ads campaigns (you will still need to pay for the actual advertising spend) and conducting search engine optimization (SEO), and other related services that we may recommend or require. You must pay the Online Management Fee in addition to the Grand Opening Marketing Program, System Marketing Fee, and your local advertising expenditures.

9.8. Websites.

- 9.8.1. We alone may establish, maintain, modify or discontinue all internet, world wide web and electronic commerce activities pertaining to the System. We have established one or more Websites accessible through one or more uniform resource locators (“URLs”) and we may design and provide for the benefit of your Medspa a “click through” subpage at our Website for the promotion of your Medspa. If we establish one or more Websites or other modes of electronic commerce and if we provide a “click through” subpage at the website(s) for the promotion of your Medspa, we may require you to provide us or our designated vendor with updated copies, photographs and news stories about your Franchised Business and the dermani MEDSPA® in accordance with our standards and specifications as set forth in the Manual or otherwise. We reserve the right to specify the content, frequency and procedure you must follow for updating your “click through” subpage, and to require you to use designated or approved suppliers for the establishment, use, maintenance, and/or updating such “click through” subpage.
- 9.8.2. Any Websites or other modes of electronic commerce that we establish or maintain may – in addition to, but without limitation, advertising and promoting the products, programs or services available at dermani MEDSPA® Medspas – also be used by us to exploit the electronic commerce rights which we alone reserve.
- 9.8.3. You are not permitted to promote your Medspa in any manner on any Websites without our prior written consent. However, we may require you to establish and maintain social media pages or profiles, which may include, without limitation, Facebook, Twitter, LinkedIn, YouTube, Pinterest, Instagram, Yelp, Google Business, or any other social media and/or networking site we designate. You must comply with our System Standards regarding the establishment, use, appearance, maintenance, and updating of social media pages and profiles. We reserve the right to require you to use designated or approved suppliers for the establishment, use, maintenance, and/or updating of such social media pages or profiles or in connection with the Online Management Services. We reserve the right to conduct collective/national campaigns via local social media on your behalf.
- 9.8.4. We alone will be, and at all times will remain, the sole owner of the copyrights to all material which appears on any website we establish and maintain, including any and all material you may furnish to us for your “click through” subpage.

10.

RECORDS, REPORTS AND FINANCIAL STATEMENTS

10.1. Reports.

- 10.1.1. You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe. We require you to use a Computer System to maintain certain sales data and other information. You agree to prepare, and if requested by us, to provide to us, in the manner and format that we prescribe:
 - (a) in addition to the Royalty Report required by Section 3.2, a monthly operating report and/or income statement with business and operating statistics of the type and in the form and manner that we specify;
 - (b) quarterly profit and loss and source and use of funds statements and a balance sheet for the Franchised Business as of the end of the prior calendar quarter;

- (c) not later than April 15th of each year, the operating statements, financial statements, statistical reports, and other information we request regarding you and the Franchised Business covering the previous calendar year; and
- (d) within ten (10) days after our request, exact copies of federal and state income tax returns, sales tax returns, and any other forms, records, books, and other information we periodically require relating to the Franchised Business and the Owners.

10.1.2. You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports, although we will not without your consent (unless required by law) disclose your identity in any materials that we circulate publicly. Moreover, we may, as often as we deem appropriate, access the Computer System and retrieve all information relating to the Franchised Business's operation (subject to HIPAA and any other applicable law).

10.2. Default in Reporting Obligation. If you have been in default of any financial or reporting obligation under this Agreement, more than two (2) times during the term of this Agreement, we reserve the right to require that you prepare, and provide us, audited financial statements on an annual basis. In addition, you must provide us with audited financial statements in the event you prepare them for any other purpose.

10.3. Books and Records. You agree to preserve and maintain all records in a secure location at the Franchised Business, and in any other method or medium we prescribe, which may include digital or "cloud" based data storage, for at least seven (7) years or otherwise required by law (including, but not limited to, billings, purchase orders, invoices, payroll records, customer, patient and client lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

11. INSPECTIONS AND AUDITS

11.1. Our Right to Inspect the Franchised Business. We and our designated agents or representatives may at any time and without prior notice to you: (a) inspect and observe the operation of the Franchised Business; (b) interview the Franchised Business's personnel; and (c) inspect and copy any books, records, and documents relating to the Franchised Business's operation. You agree to cooperate with us fully. If we exercise any of these rights, we will not interfere with the Franchised Business's operation.

11.2. Our Right to Audit. We may, with ten (10) days' notice, examine the business, bookkeeping, and accounting records, sales and income tax records and returns, and other records of the Franchised Business. You agree to cooperate fully with us, our representatives, accountants, auditors, representatives, and/or contractors in any examination. We may conduct our audit or examination at our location or the location of our representative, accountant, auditor, or contractor. If any examination discloses an understatement of the any amount owed to us, you agree to pay us, within ten (10) days after receiving the examination report, the understated amounts plus interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement of Gross Revenue or Management Fees of two percent (2%) or more of the amount that you actually reported to us for the period examined, then: (a) you agree to reimburse us for the costs of the examination, including, without limitation, the charges of attorneys and independent accountants, and the travel expenses, room and board, and compensation of our

employees; and (b) we may require you to provide us with periodic audited statements. These remedies are in addition to any other remedies and rights provided us under this Agreement and applicable law.

- 11.3. Correction of Errors.** You understand and agree that our receipt or acceptance of any of the statements furnished or royalties paid to us (or the cashing of any royalty checks or processing of any EFTs) shall not preclude us from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by you and the appropriate payment shall be made by you.
- 11.4. Authorization of Us.** You hereby authorize (and agree to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which you do business to disclose to us any requested financial information in their possession relating to you or the Franchised Business. You authorize us to disclose data from your reports, if we determine, in our sole and absolute discretion, that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

12. TRANSFER

12.1. Transfer by Us.

- 12.1.1. We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation or other entity, without prior notice to you, and we do not need your consent or approval to do so.
- 12.1.2. You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may sell, assign, or transfer any or all of the equity interests in us; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring; without prior notice to you, and we do not need your consent or approval to do so. Further, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “dermani MEDSPA® Franchising LLC” as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

12.2. Transfer by You.

- 12.2.1. You understand and acknowledge that the rights and duties this Agreement creates are personal to you and that we have granted you the right to develop and operate the Franchise Business in reliance upon our perceptions of your individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement (or any interest in this Agreement); (ii) the Franchised Business (or any right to receive all or a portion of the Franchised Business’s profits or losses or capital appreciation related to the Franchised Business); (iii) your lease; (iv) substantially all of the assets of the Franchised Business; (v) any ownership interest in you (regardless of its size); or (vi) any ownership interest in any of your owners. A transfer of the Franchised Business’s

ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect.

12.2.2. In this Agreement, the term “transfer” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- (a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- (b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- (c) any sale of a security convertible to an ownership interest;
- (d) transfer of an interest in you, this Agreement, the Franchised Business or substantially all of its assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law; or
- (e) if you or one of your owners dies, a transfer of an interest in you, this Agreement, the Franchised Business or substantially all of its assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession.

12.3. Conditions for Approval of Transfer.

12.3.1. You must submit a written request to us for any proposed transfer under this Agreement. If you are in full compliance with this Agreement, including our policies and System Standards, then we will not unreasonably withhold our consent to a transfer that meets all of the requirements in this Section. For any proposed transfer, all of the following conditions must be met before or concurrently with the effective date of the transfer:

- (a) The transferee is approved by us and demonstrates to our satisfaction that he/she meets our then-current standards for new dermani MEDSPA® businesses, and possesses sufficient business experience, aptitude, and financial resources to operate the Franchised Business;
- (b) You have paid all Royalty Fees, System Marketing Fees, and other amounts owed to us and third party vendors (other than amounts payable to third party vendors that are the subject of a good faith dispute with such vendor), have submitted all required reports and statements, and are not in violation of this Agreement at the time of transfer;
- (c) (i) You have corrected any existing deficiencies of the Franchised Business of which we have notified you in writing or by electronic communications, and/or (ii) the transferee agrees to upgrade and refurbish the Franchised Business in accordance with our then current requirements and specifications for Franchised Businesses and Medspas within the time period we specify following the effective date of the transfer (we will advise the transferee before the effective date of the transfer of the specific actions that it must take and the time period within which such actions must be taken);
- (d) Neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest (direct or indirect) in or perform services for a Competitive Business;
- (e) All required personnel of the transferee satisfactorily complete our training program;

- (f) Your landlord allows you to transfer the lease or sublease the Premises to the transferee;
- (g) The transferor shall remain liable for all of the obligations to us in connection with the Franchised Business incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by us to evidence such liability;
- (h) The transferee (i) must sign our then current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from those contained in this Agreement, provided, however, that the term of the new franchise agreement signed will be the remaining term on this Agreement, and (ii) must execute a new Management Agreement with the PC (or a new PC for the Medspa, if applicable), which Management Agreement shall be subject to our prior approval;
- (i) You pay us a transfer fee (“**Transfer Fee**”) equal to fifty percent (50%) of our then-current initial franchise fee for a single unit franchise, to reimburse us for reviewing the application to transfer, including, without limitation, legal and accounting fees. One-half (½) of the Transfer Fee shall be paid at the time you submit your request to us for consideration of the proposed transfer, and such amount shall be non-refundable. The balance of the Transfer Fee shall be paid at the time the transfer is consummated or closes. If the transfer is not consummated after we have provided our approval for the proposed transfer, then we have the right to require that you or the proposed transferee reimburse us for the out-of-pocket expenses (including attorneys’ fees) that we incurred in connection with the proposed transfer.
- (j) You (and your transferring owners) sign a general release, in a form satisfactory to us, of any and all claims against us and our members, officers, directors, employees, and agents;
- (k) If you finance any part of the purchase price, you agree that all of the transferee’s obligations under promissory notes, agreements, or security interests reserved in the Franchised Business are subordinate to the transferee’s obligation to pay Royalty Fees, System Marketing Fees, and other amounts due to us and third-party vendors and otherwise to comply with this Agreement;
- (l) You will not, for two (2) years beginning on the effective date of the transfer, engage in any of the activities prescribed in Section 15.4;
- (m) You will not directly or indirectly at any time or in any manner (except as we may otherwise approve, and except with respect to other Medspas you own and manage or as required by law, or as necessary to accurately respond to any inquiry regarding your business operations prior to the expiration or termination) identify yourself or any business as a current or former Medspa or as one of our franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Medspa in any manner or for any purpose; or utilize for any purpose any trade name, trade or service mark, or other commercial symbol that suggests or indicates a connection or association with us; and
- (n) The transferee shall enter into a written agreement, in a form reasonably satisfactory to us, assuming full, unconditional, joint and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants and agreements contained in this Agreement; and, if transferee is a corporation or a

partnership, transferee's shareholders, partners or other investors, as applicable, shall execute such agreement as transferee's principals and guarantee the performance of all such obligations, covenants and agreements.

- 12.3.2. We may review all information regarding the Franchised Business that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or that we have made regarding the Franchised Business.
- 12.3.3. You shall not grant a security interest in the Franchised Business or in any of your assets without our prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by us to agree that in the event of any default by you under any documents related to the security interest, we shall have the right and option to be substituted as obligor to the secured party and to cure any default of yours.
- 12.3.4. You acknowledge and agree that each condition which must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

12.4. Transfer to a Wholly Owned Corporation or Limited Liability Company.

- 12.4.1. In the event you are comprised of one (1) or more individuals and you desire to transfer your interests herein to an Entity formed by you solely for the convenience of ownership, you must submit a written request and obtain our prior written consent of such transfer, which consent shall be granted if:
 - (a) You shall be the owner of all the voting stock of the corporation or all of the membership interests, as applicable, or, if you comprise more than one (1) individual, each such individual shall have the same proportionate ownership interest in the Entity as it held in Franchised Business prior to the contemplated transfer;
 - (b) Appropriate forms of corporate resolutions, minutes and/or consents, which have been duly adopted, are furnished to us prior to the transfer; and
 - (c) You execute any documents we require to evidence such transfer, including, without limitation, our form of Transfer to a Corporation or Limited Liability Company, attached hereto as Exhibit G.
- 12.4.2. A transfer under this Section 12.4 may occur one (1) time only without payment of the transfer fee, and it not subject to our right of first refusal, as described in Section 12.6. You will remain liable under this Agreement as if the transfer to the Entity did not occur.

12.5. Your Death or Disability.

- 12.5.1. *Transfer of Interest.* Upon your, or the Operating Principal's, death or Disability, your, or the Operating Principal's, executor, administrator, conservator, guardian, or other personal representative must transfer your interest in this Agreement, or the Operating Principal's ownership interest in you, to a third party (which may be your, or the Operating Principal's, heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed twelve (12) months from the date of death or Disability and will subject to all of the terms and conditions in this Section 12. A failure to transfer your interest in this Agreement or the Operating Principal's ownership interest in you within this time period is a breach of this Agreement.
- 12.5.2. *Operation of Franchised Business.* Upon your or the Operating Principal's death or Disability, your, or the Operating Principal's, executor, administrator, conservator,

guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or Disability, appoint a manager to assume your or the Operating Principal's obligations under this Agreement. The manager, at your estate's expense, must complete our standard training program. A new Operating Principal acceptable to us also must be appointed for the Franchised Business, and that new Operating Principal must complete our standard training program within ninety (90) days after the date of death or Disability.

12.6. Our Right of First Refusal.

- 12.6.1. We have the right, exercisable within thirty (30) days after receipt of the notice specified in Section 12.3, to send written notice to you that we intend to purchase the interest proposed to be transferred if such interest is all of the interest in, or a controlling interest in, the franchisee entity. We may assign our right of first refusal to someone else either before or after we exercise it. However, our right of first refusal will not apply with regard to a transfer under Section 12.4 or a transfer to your parents, spouse, son, daughter, or mother or father in-law (including transfers to your parents, spouse, son, daughter, or mother or father in-law as a result of death or incapacity as described in Section 12.5).
- 12.6.2. If the transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be transferred on the same economic terms and conditions offered by the third party. Closing on our purchase must occur by the later of (a) ninety (90) days after the date of our notice to the seller electing to purchase the interest, or (b) the closing date as proposed in the third party's purchase offer. If we cannot reasonably be expected to furnish the same consideration as the third party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within 30 days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser and the appraiser's determination will be final. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.
- 12.6.3. If a transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within 30 days after our notice to the transferor of the appraiser's determination of fair market value.
- 12.6.4. If we elect not to exercise our rights under this Section, the transferor may complete the transfer after complying with Sections 12.2 through 14.5 above. Closing of the transfer must occur within sixty (60) calendar days of our election not to exercise our rights (or such longer period as applicable law may require); otherwise the third party's offer will be treated as a new offer subject to our right of first refusal. The transfer is conditional upon our determination that the transfer was on terms substantially the same as those offered to us.

- 12.7. **Effect of Consent to Transfer.** Our consent to a transfer of this Agreement and the Franchised Business, or any interest in you, is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of the Franchised Business's or transferee's prospects of success, or a waiver of any claims we have against you or of our right to demand the transferee's full compliance with this Agreement.

13.
TERM OF THIS AGREEMENT; RENEWAL

- 13.1. Initial Term.** As stated in the “Definitions” above, the Initial Term of this Agreement shall be for a period of ten (10) years from the Effective Date, unless earlier terminated as provided in this Agreement.
- 13.2. Renewal.** When this Agreement expires, you will have the option to continue the franchise relationship with us for two (2) additional consecutive successor terms of five (5) years each. We may require you to satisfy any or all of the following as a condition of continuing the franchise relationship with us for each successor term:
- 13.2.1. You have given us written notice of such election to renew not less than one hundred eighty (180) days, nor more than two hundred seventy (270) days before this Agreement expires;
 - 13.2.2. You are not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between you and us, and have substantially complied with all the terms and conditions of such agreements during the terms thereof;
 - 13.2.3. You have satisfied all monetary obligations owed by you to us and have timely met these obligations throughout the term of this Agreement;
 - 13.2.4. You shall execute our then-current form of franchise agreement (“**Successor Franchise Agreement**”), which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms from this Agreement;
 - 13.2.5. You shall sign a general release, in the form we require, of any and all claims against us, our parent, and ours and their respective members, shareholders, officers, directors, agents and employees;
 - 13.2.6. You shall comply with our then-current qualification and training requirements;
 - 13.2.7. You maintain your right to use the Premises or secure substitute premises we approve;
 - 13.2.8. You make such modifications and improvements to the Franchised Business to bring it into compliance with applicable System Standards for new Medspas;
 - 13.2.9. You pay to us a successor fee equal to ten percent (10%) of our then-current initial franchise fee for a single unit franchise;
 - 13.2.10. You maintain the Management Agreement with the PC, or enter into a new Management Agreement with a replacement PC, which Management Agreement and replacement PC (if applicable) shall be subject to our prior approval; and
 - 13.2.11. As part of the process of executing the Successor Franchise Agreement, we reserve the right to re-evaluate your then-existing Territory according to certain demographics, including population. Since your Territory includes a certain minimum population, your Territory under the Successor Franchise Agreement will be modified to accommodate shifts and changes in population. Our intent is to make the target demographics of your successor Territory similar to the target demographics of then-current new franchises being granted. A re-evaluation of your Territory may result in your successor Territory being smaller or larger than your original Territory. We cannot guarantee that you will achieve any particular level of success with the successor Territory or that your results will be the same as or similar to your results from operating in the original Territory. This is applicable only if your Territory includes a minimum population, as described above.
- 13.3. Refusal to Execute Successor Franchise Agreement.** We can refuse to execute any Successor Franchise Agreement with you if your lease, sublease or other document by which you have the

right to occupy the Premises is not extended before your successor term is to take effect to cover the period of the successor term or if you do not have a written commitment from your landlord to renew the lease or sublease for a period at least equal to the successor term. We may also refuse to execute any Successor Franchise Agreement with you under other circumstances, including, but not limited to, your failure to substantially comply with the terms of this Agreement, your failure to pay amounts owed to us when due, or your failure to cure of any defaults incurred during the initial term of this Agreement, if applicable.

- 13.4. Renewal Under Law.** Even though we decline to grant you a successor term for the Franchised Business, it is possible that we can be required to do so under a law, rule, regulation, statute, ordinance, or legal order that is applicable at the time. If that happens, to the extent it is allowed by the applicable law, rule, regulation, statute, ordinance or order, your successor term will be subject to the conditions of the then-current franchise agreement we are using for new franchisees at the time the successor period begins. If we are not then offering new dermani MEDSPA® franchises, your successor period will be subject to the terms in the then-current franchise agreement that we indicate. If for any reason that is not allowed, the successor term will be governed by the terms of this Agreement.
- 13.5. Your Election Not to Renew.** For the purposes hereof, you shall be deemed to have irrevocably elected not to enter into a successor term for your Franchised Business (and the option to do so shall thereupon terminate) if you fail to provide notice of intent to renew per Section 13.2 above.

14.

TERMINATION OF AGREEMENT

- 14.1. Automatic Termination.** You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated a bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a *supersedeas* bond is filed); or if you are dissolved; or if execution is levied against your business or property; or if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; or if the real or personal property of your Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.
- 14.2. Termination Upon Notice Without Opportunity to Cure.** You shall be deemed to be in default and we may terminate this Agreement and all rights granted hereunder, without affording you any opportunity to cure the default, effective immediately upon the delivery of written notice to you by us, upon the occurrence of any of the following events:
- 14.2.1. you have made or make any material misrepresentation or omission in your application for, or in acquiring, the franchise rights or in operating the Franchised Business;
 - 14.2.2. you make or attempt to make any transfer in violation of Section 12;
 - 14.2.3. you fail to maintain any required licenses, permits, or certifications to open or operate the Franchised Business, or fail to comply with any federal, state, or local law or regulation,

- or you operate the Franchised Business in an unsafe manner, and you do not cure or commence to cure this failure within five (5) days after you receive notice;
- 14.2.4. you or any of your employees fail to meet the state and local certifications or other requirements for operation and/or employment in medical spa businesses, in a medical care management business, or the PC fails to meet state and local certifications or other requirements for the operation or employment of physicians and other professionals in a medical center, and you fail to cure this default within ten (10) days after you receive notice, or, alternatively, you fail to prohibit any such employees from working in the Franchised Business until the requirements are met;
 - 14.2.5. you or your Operating Principal are or have been convicted of, or plead or have pleaded no contest to, a felony;
 - 14.2.6. you engage in any dishonest or unethical conduct which, in our opinion, adversely affects the Franchised Business's reputation or the goodwill associated with the Marks;
 - 14.2.7. you knowingly make any unauthorized use or disclosure of any part of the Manual or any other Confidential Information;
 - 14.2.8. you interfere with our relationships with third parties and the ability to operate and/or grant franchises under our System;
 - 14.2.9. you fail to maintain the insurance we require, or you fail to repay us for the insurance that we have paid on your behalf and you do not correct the failure within thirty (30) days after we deliver written notice of that failure to you;
 - 14.2.10. you fail to pay us any amounts due and do not correct the failure within five (5) days after we deliver written notice of that failure to you, or immediately if payment has not been made within thirty (30) days of its due date;
 - 14.2.11. you understate the Franchised Business's Gross Revenue or Management Fees for any period by two percent (2%) or more, three (3) times or more during the Initial Term, or by more than seven percent (7%) on any one occasion;
 - 14.2.12. you fail on three (3) or more separate occasions within any twelve (12) consecutive month period to comply with this Agreement for which we notified you of the failures, whether or not you correct the failures after our delivery of notice to you;
 - 14.2.13. your assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or you otherwise violate any such law, ordinance, or regulation;
 - 14.2.14. you are in default of any other agreement with us, and you have failed to cure the default within the time period, if any, provided for such cure under such agreement(s);
 - 14.2.15. you abandon or fail actively to operate the Franchised Business for three (3) or more consecutive business days, unless you close the Franchised Business for a purpose we approve or because of casualty or government order;
 - 14.2.16. if any required trainee is not able to complete our initial training program to our satisfaction, after having given you the opportunity to designate a replacement trainee;
 - 14.2.17. if you fail to locate the Premises, construct the Franchised Business or open the Franchised Business within the timeframes required herein;
 - 14.2.18. if a threat or danger to public health or safety results from the construction, maintenance or operation of the Franchised Business;

- 14.2.19. if you or any of your owners fail to comply with the in-term covenants in Section 7 hereof or you fail to obtain execution of the covenants and related agreements required hereunder within thirty (30) days following notice from us;
 - 14.2.20. if you misuse or make any unauthorized use of the Marks or otherwise materially impair the goodwill associated therewith or our rights therein; provided that, notwithstanding the above, you shall be entitled to notice of such event of default and shall have twenty-four (24) hours to cure such default;
 - 14.2.21. any license or permit you are required to maintain for the operation of the Franchised Business is revoked; or
 - 14.2.22. the Management Agreement you have entered into with the PC is terminated and you have failed to enter into a new Management Agreement with a replacement PC within the timeframe required in Section 1.2.
- 14.3. Termination With Opportunity to Cure.** Except as otherwise provided in Sections 14.1 and 14.2 above, any other default by you of your obligations hereunder, including those identified below, upon written notice from us, you will have thirty (30) days to cure such default. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. The following is a non-exclusive list of illustrative events of default for which you may have an opportunity to cure the default to avoid termination:
- 14.3.1. you make any unauthorized use of our proprietary software;
 - 14.3.2. you fail to operate the Franchised Business during the days and hours specified in the Manual without our prior approval, which we will not unreasonably withhold;
 - 14.3.3. you fail to operate the Franchised Business from the Premises or any substitute premises approved by us;
 - 14.3.4. you fail to pay when due any federal or state income, service, sales, or other taxes due on the Franchised Business's operation, unless you are in good faith contesting your liability for these taxes;
 - 14.3.5. you fail to promptly pay your suppliers, including any of our affiliates, when such payments are due, except in connection with a good faith dispute that you have with third-party suppliers;
 - 14.3.6. you fail to have the Franchised Business managed on a full-time basis by you or your Operating Principal; or
 - 14.3.7. you fail to comply with any other provision of this Agreement, the Manual, or any System Standard.
- 14.4. Extended Notice of Termination.** If any local or state law where the Premises or Franchised Business is located is applicable to this Section 14, or Section 13 above, which requires a longer notice period prior to termination of this Agreement, or prior to a refusal to renew the franchise agreement, than is specified in this Agreement, a different standard of "good cause," or the taking of some other action not required under this Agreement, the prior notice, "good cause" standard, and/or other action required by such law will be substituted for the comparable provisions in this Agreement.
- 14.5. Remedies Other Than Termination.** If you commit any act, or any other event occurs, which constitutes grounds for termination of this Agreement by us under any provision of this Agreement, we may instead elect to reduce your Territory or terminate your territorial protection. Such actions will take effect immediately upon written notice to you by us. Our election of any of these remedies

will not preclude us from invoking our right to terminate if the act or event constituting grounds for termination continues to exist.

14.6. Cross-Defaults, Non-Exclusive Remedies, etc.

14.6.1. Any default by you (or any person/company affiliated with you) under this Agreement may be regarded as a default under any other agreement between us (or any of our affiliates) and you (or any of your affiliates). Any default by you (or any person/company affiliated with you) under any other agreement, including, but not limited to, any lease and/or sublease, between us (or any of our affiliates) and you (or any person/company affiliated with you), and any default by you (or any person/company affiliated with you) under any obligation to us (or any of our affiliates) may be regarded as a default under this Agreement. Any default by you (or any person/company affiliated with you) under any lease, sublease, loan agreement, security interest or otherwise, whether with us, any of our affiliates and/or any third party may be regarded as a default under this Agreement and/or any other agreement between us (or any of our affiliates) and you (or any of your affiliates).

14.6.2. In each of the foregoing cases, we (and any of our affiliates) will have all remedies allowed at law, including termination of your rights (and/or those of any person/company affiliated with you) and our (and/or our affiliates') obligations. No right or remedy which we may have (including termination) is exclusive of any other right or remedy provided under law or equity and we may pursue any rights and/or remedies available.

14.7. Our Right to Discontinue Services to You. If you are in breach of any obligation under this Agreement, and we deliver to you a notice of termination pursuant to this Section 14, we have the right to suspend our performance of any of our obligations under this Agreement including, without limitation, the sale or supply of any services or products for which we are an approved supplier to you and/or suspension of your "click though" subpage on our Website, until such time as you correct the breach.

15.

OBLIGATIONS UPON TERMINATION OR EXPIRATION OF THE AGREEMENT

15.1. Payment of Amounts Owed to Us. You agree to pay us, within fifteen (15) days after this Agreement expires or is terminated, the Royalty Fees, System Marketing Fees, interest, and all other amounts owed to us which then are unpaid.

15.2. Marks. When this Agreement expires or is terminated:

15.2.1. you may not directly or indirectly at any time or in any manner (except as we may otherwise approve, and except with respect to other Franchised Businesses Medspas you own and/or manage or as required by law, or as necessary to accurately respond to any inquiry, or as required by law, regarding your business operations prior to the expiration or termination) identify yourself or any business as a current or former Franchised Business or Medspa or as one of our current or former franchisees; use any Mark, any colorable imitation of a Mark, or other indicia of a Franchised Business or Medspa in any manner or for any purpose; or use for any purpose any trade name, trade or service mark, or other commercial symbol that indicates or suggests a connection or association with us;

15.2.2. you agree to take the action required to cancel all fictitious or assumed names or equivalent registrations relating to your use of the Marks;

15.2.3. you agree to deliver to us within thirty (30) days all signage, marketing materials, forms, and other materials containing any Mark or otherwise identifying or relating to a Franchised Business or Medspa that we request and allow us, without liability to you or

third parties for trespass or any other claim, to enter the Premises and remove these items from the Franchised Business;

- 15.2.4. if we do not have or do not exercise an option to purchase the assets of the Franchised Business, you agree promptly and at your own expense to make the alterations we specify in our Manual (or otherwise) to distinguish the Franchised Business and the Premises clearly from its former appearance and from other Franchised Businesses and Medspas in order to prevent public confusion;
- 15.2.5. you agree to notify the telephone company, all telephone directory publishers, social media and other online listings (as necessary), and all domain name registries and internet service providers of the termination or expiration of your right to use any telephone, facsimile, URLs and domain names, or other numbers, names, and telephone directory listings associated with the Marks; to authorize the transfer of these numbers, names, directory listings, and social media pages and profiles to us or at our direction; and/or to instruct the telephone company, domain name registries, social medias pages and profiles, and Internet service providers to forward all calls, e-mails and electronic communications made to your names, numbers, or addresses to names, numbers, or addresses we specify. If you fail to do so, we may take whatever action and sign whatever documents as are necessary or appropriate on your behalf to affect these events;
- 15.2.6. you agree to give us, within thirty (30) days after the expiration or termination of this Agreement, evidence satisfactory to us of your compliance with these obligations; and
- 15.2.7. you and your owners shall pay to us all damages, costs and expenses, including reasonable attorneys' fees, incurred by us in connection with obtaining any remedy available to us for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Section 15.

15.3. Confidential Information. You agree that, when this Agreement expires or is terminated, you will immediately cease using any of our Confidential Information (including computer software or similar technology and digital passwords and identifications that we have licensed to you or that otherwise are proprietary to us or the System) in any business or otherwise and return to us the client and patient lists, all copies of the Manual and any other confidential materials that we have loaned you. You will also return to us all documents, procedural manuals, guides, specifications, plans, drawings, designs, copyrights, computer programs, program descriptions and similar materials, lists of present, past or prospective patients, proposals, marketing and public relations materials, invitations to submit proposals, fee schedules and data relating to patients and the pricing of products and services, records, notebooks and similar repositories of or containing Confidential Information.

15.4. Covenant Not to Compete.

- 15.4.1. Upon termination or expiration of this Agreement you agree that, for two (2) years beginning on the later to occur of (i) the effective date of termination or expiration, or (ii) the date on which all persons restricted by this Section 15.4 begin to comply with this Section 15.4, or (iii) if litigation is necessary to enforce this Agreement, the date of entry of an order by a court of competent jurisdiction enforcing this Agreement: you and your immediate family members, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not own, maintain, operate, engage in, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, employee,

consultant, representative, or agent in any Competitive Business, that is or may be located or operating:

- (a) at the Premises;
- (b) within the Territory;
- (c) within five (5) miles of the border of the Territory; or;
- (d) within the territory, area, or market area of any other Franchised Business or Medspa in operation or under construction on the latter of the effective date of the termination or expiration of this Agreement or the date on which all persons restricted by this Section begin to comply with this Section.

15.4.2. Equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 15.4.

15.4.3. These restrictions also apply after transfers, as provided in Section 12 above. If any person restricted by this Section refuses voluntarily to comply with these obligations, the two (2) year period for that person will commence with the entry of a court order enforcing this provision. You expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living.

15.5. Our Right to Purchase Certain Assets of the Franchised Business. Upon termination or expiration of this Agreement, we will have the right and option, but not the obligation, to purchase any and all of your assets from the Franchised Business at a purchase price equal to their fair market value. If we elect to exercise this option, we will deliver written notice to you of our election within thirty (30) days after the date of termination or expiration of this Agreement. We will have the right to inspect any equipment at any time prior to or during this thirty (30) day period. If we elect to purchase the equipment, we will be entitled to, and you must provide, all customary warranties and representations relating to the equipment purchase, including, without limitation, representations and warranties as to the maintenance, function and condition of the equipment and your good title to the equipment (including that you own the equipment free and clear of any liens and encumbrances). If we and you cannot agree on fair market value, fair market value will be determined by three (3) independent accredited appraisers with experience in commercial real estate. You and we will each select one (1) appraiser, and one (1) additional appraiser will be selected by mutual agreement of the other two (2) appraisers. The appraisers will conduct an appraisal in accordance with this Section. You and we agree to select our respective appraisers within fifteen (15) days after we notify you that we wish to exercise our purchase option. You and we will each pay the fees and expenses of the appraiser we and you choose, and you and we will share equally the third appraiser's fees and expenses. The appraisers must complete their appraisals within thirty (30) days after their appointment. The purchase price will be the average of the three (3) appraised values and closing of the purchase and sale of the assets we elect to purchase shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date we receive and obtain all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. If the two appraisers cannot agree on the third appraiser, one will be chosen by the American Arbitration Association.

15.6. Continuing Obligations. All of our and your obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent

to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire.

15.7. Liquidated Damages.

- 15.7.1. If we terminate this Agreement with cause, you must pay us, within fifteen (15) days after the effective date of termination, liquidated damages equal to the average value of the Royalty Fees you paid or owed (per month) to us during the twelve (12) months before the termination multiplied by (i) twenty-four (24), being the number of months in two (2) full years, or (ii) the number of months remaining during the term of this Agreement, whichever is lower.
- 15.7.2. The parties hereto acknowledge and agree that it would be impracticable to determine precisely the damages we would incur from this Agreement's termination and the loss of cash flow from Royalty Fees due to, among other things, the complications of determining what costs, if any, we might have saved and how much the Royalty Fees would have grown over what would have been this Agreement's remaining term. The parties hereto consider this liquidated damages provision to be a reasonable, good faith pre-estimate of those damages.
- 15.7.3. The liquidated damages provision only covers our damages from the loss of cash flow from the Royalty Fees. It does not cover any other damages, including damages to our reputation with the public and landlords and damages arising from a violation of any provision of this Agreement other than the Royalty Fee section. You and each of your owners agree that the liquidated damages provision does not give us an adequate remedy at law for any default under, or for the enforcement of, any provision of this Agreement other than the Royalty Fee section.

16.

RELATIONSHIP OF THE PARTIES; INDEMNIFICATION

16.1. No Fiduciary Relationship.

- 16.1.1. The parties acknowledge and agree that you shall be an independent contractor and this Agreement does not create a fiduciary relationship between them, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We will not have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement to determine that certain of your employees are qualified to perform certain tasks for your Franchised Business does not directly or indirectly vest in us the power to influence the employment terms of any such employee.
- 16.1.2. You agree that you alone are to exercise day-to-day control over all operations, activities and elements of your Franchised Business, and that under no circumstance shall we do so or be deemed to do so. You further acknowledge and agree, and will never claim otherwise,

that the various restrictions, prohibitions, specifications and procedures of the System which you are required to comply with under this Agreement, whether set forth in our Manual or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchised Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchised Business.

16.2. Independent Contractors.

16.2.1. During the term of this Agreement, you shall hold yourself out to the public as an independent contractor conducting your Medspa operations pursuant to the rights granted by us. You agree to take such action as shall be reasonably necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Premises established for the purposes hereunder and on all letterhead, business cards, forms, and as further described in the Manual. We reserve the right to specify in writing the content and form of such notice.

16.2.2. You hereby irrevocably affirm, attest and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us.

16.3. No Liability for Acts of the Other Party. We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than that of franchisor and franchisee. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Franchised Business's operation or the business you conduct under this Agreement.

16.4. Indemnification.

16.4.1. You agree to indemnify, defend, and hold harmless the Indemnified Parties against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Franchised Business's operation and/or any operations of the Medspa you manage, the business you conduct under this Agreement, or your breach of this Agreement, unless the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court of competent jurisdiction.

16.4.2. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this indemnification provision. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

16.4.3. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph.

16.5. You Are Not Authorized. You understand and agree that nothing in this Agreement authorizes you or any of your owners to make any contract, agreement, warranty or representation on our behalf, or to incur any debt or other obligation in our name or the Marks, and that we shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of you or any of your owners or any claim or judgment arising therefrom.

17.

COMPLIANCE WITH LAWS; NOTIFICATION OF ACTION OR PROCEEDING

- 17.1.** You shall comply with all federal, state, and local laws, rules, and regulations, including without limitation, employment, labor, and wage and hour laws, tax laws, local operating regulations, and health care, HIPAA (if applicable), medical spa, and medical supplies laws, regulations, licenses, rules, and certifications. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Franchised Business and the other licenses applicable to the management of medical spas or medical care centers, and must operate the Franchised Business in full compliance with all applicable laws, ordinances and regulations, including, without limitation, HIPAA (if applicable), government regulations relating to occupational hazards, health, worker's compensation and unemployment insurance and withholding and payment of federal and state income taxes, social security taxes and sales and service taxes. You must not employ any person in a position that requires a license unless that person is currently licensed by all applicable authorities and a copy of the license or permit is in your business files. You must comply with all state and local laws and regulations regarding the staffing and management of a medical spas or medical care business. All advertising and promotion by you must be completely factual and must conform to the highest standards of ethical advertising. The Franchised Business must in all dealings with its clients, suppliers, the public and us adhere to the highest standards of honesty, integrity, fair dealing and ethical conduct.
- 17.2.** You agree to refrain from any business or advertising practice which may be injurious to the System and the goodwill associated with the Marks and other Franchised Businesses and Medspas.
- 17.3.** You must notify us in writing within five (5) days of the commencement of any action, suit or proceeding, and of the issuance of any order, writ, injunction, award or decree of any court, agency or other governmental instrumentality, which may adversely affect your operation or financial condition or that of the Franchised Business and of any notice of violation of any law, ordinance, or regulation relating to the Franchised Business.

18.

ENFORCEMENT

18.1. Severability and Substitution of Valid Provisions.

- 18.1.1.** Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portion of this Agreement which will continue to have full force and effect and bind the parties.
- 18.1.2.** If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.
- 18.1.3.** If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to renew your franchise agreement, or some other action that this Agreement does not require, or if, under

any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits.

18.2. Waiver of Obligations.

18.2.1. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

18.2.2. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Franchised Businesses and Medspas; the existence of franchise agreements for other Franchised Businesses which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

18.2.3. Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (a) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (a) acts of God; (c) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (d) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalty Fees or System Marketing Fees due afterward.

18.3. Costs and Attorneys' Fees. If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, investigation, attorneys' and related fees. Additionally, if we incur attorneys' fees or other expenses in successfully defending any claim you bring against us, including without limitation, a claim related to the offering of a franchise or the franchise relationship, you will be required to reimburse us for our reasonable costs and expenses (including attorneys' and expert witness fees).

18.4. Rights of Parties are Cumulative. Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude

our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

- 18.5. Mediation.** Except as otherwise provided in this Section 18.5, any controversy or claim arising between us must first be submitted to non-binding mediation administered by an established, neutral mediation service with experience in franchise disputes. In the event the parties cannot agree on a mediator within thirty (30) days of one party's written request to the other party to mediate a dispute, such party (the complainant, defined below) shall submit the dispute to, and any such mediation shall be conducted by JAMS in accordance with its then-current rules for mediation of commercial disputes. Both parties must sign a confidentiality agreement before participating in any mediation proceeding. The mediation will take place in the city where our principal offices are located at the time the demand for mediation is filed. The mediation shall be non-binding. Notwithstanding anything to the contrary, this Section 18.5 shall not bar either party from obtaining judicial or injunctive relief for claims that are based solely on demands for money owed, or from obtaining injunctive relief against threatened conduct that will cause it harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; this exception includes, without limitation, claims involving the Marks.
- 18.5.1. The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the "complainant") providing written notice of the request for mediation (the "request") to the party with whom mediation is sought (the "respondent"). The request shall specify with reasonable particularity the matter or matters on which mediation is sought.
- 18.5.2. Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. Except as required by law, all aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service
- 18.6. Litigation.** The parties agree that ALL CLAIMS between or among the parties to this agreement MUST be initiated and litigated exclusively and only in such state and exclusively in the judicial district in which we have our principal place of business at the time the action is commenced, and no other venue. The parties agree that this Section 18.6 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. You and your principals hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision, and agree to submit to the jurisdiction of the courts of the state in which we have our principal place of business at the time the action is commenced.
- 18.7. Injunctive Relief.** Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that will cause us harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunction.
- 18.8. Governing Law.** Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, and all claims arising from or related to this Agreement, the Franchised Business, and the relationship between us and you will be governed by the procedural and substantive laws of the state of Florida, without regard to its conflict of laws or rules. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional

provisions are independently met. You waive, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

- 18.9. Mutual Waiver of Class Actions.** ANY LAWSUIT, CLAIM, COUNTERCLAIM, OR OTHER ACTION MUST BE CONDUCTED ONLY ON AN INDIVIDUAL BASIS, AND MUST NOT BE AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION. YOU HEREBY AGREE NOT TO SEEK JOINDER OF ANY OF YOUR CLAIMS WITH THOSE OF ANY OTHER PARTY.
- 18.10. Waiver of Jury Trial.** WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.
- 18.11. Waiver of Punitive Damages.** WE AND YOU HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR MULTIPLE DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN WE AND YOU EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT, AND ANY CLAIM TO LIQUIDATED DAMAGES UNDER SECTION 15.7.
- 18.12. Binding Effect.** This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.
- 18.13. Limitations of Claims.** EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 18.13, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN YOU AND US, OR YOUR OPERATION OF THE CENTER, INCLUDING ANY PROCEEDING, OR ANY CLAIM IN ANY PROCEEDING (INCLUDING ANY DEFENSES AND ANY CLAIMS OF SET-OFF OR RECOUPMENT), MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED. CLAIMS ATTRIBUTABLE TO YOUR UNDERREPORTING OF SALES, AND CLAIMS OF THE PARTIES FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS.
- 18.14. Our Discretion and Judgment.** Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, which includes what we believe to be the best interests of the franchise network at the time our decision is made or our right or discretion is exercised even though: (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our financial or other individual interest; or (c) our decision or the action we take may apply differently to different franchisees or our company-owned or

affiliate-owned operations. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review.

18.15. Construction.

18.15.1. The preambles and exhibits are a part of this Agreement, and this Agreement and the exhibits and attachments hereto constitute the entire, full and complete agreement between the parties hereto, and supersede any and all prior or contemporaneous negotiations, discussions, representations, understandings and agreements. However, nothing in this Franchise Agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.

18.15.2. You acknowledge that you are entering into this Agreement as a result of your own independent investigation of our franchised business and not as a result of any representations about us made by our members, officers, directors, employees, agents, representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to you pursuant to applicable law.

18.15.3. This Agreement may be executed in multiple copies, each of which will be deemed an original.

18.16. Rights and Remedies are Cumulative. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default or threatened breach, failure or default of any term, provision or condition of this Agreement or any other agreement between you or any of your affiliates and us. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of our rights pursuant to Section 14 of this Agreement shall not discharge or release you or any of your owners from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

18.17. Operation in the Event of Absence or Disability. In order to prevent any interruption of the Franchised Business operations which would cause harm to the Franchised Business, thereby depreciating the value thereof, you authorize us, who may, at our option, in the event that you are absent for any reason or are incapacitated by reason of illness and are unable, in our sole and reasonable judgment, to operate the Franchised Business for so long as we deem necessary and practical, and without waiver of any other rights or remedies we may have under this Agreement. All monies from the operation of the Franchised Business during such period of operation by us shall be kept in a separate account, and the expenses of the Franchised Business, including reasonable compensation and expenses for our representative, shall be charged to said account. If, as herein provided, we temporarily operate the Franchised Business franchised herein for you, you agree to indemnify and hold harmless us and any representative of ours who may act hereunder, from any and all acts which we may perform, as regards the interests of you or third parties.

18.18. Step-In Rights.

18.18.1. If we determine in our sole judgment that the operation of your Franchised Business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the Franchised Business which would cause harm to the System and thereby lessen its value, you authorize

us to operate your business for as long as we deem necessary and practical, and without waiver of any other rights or remedies which we may have under this Agreement. In our sole judgment, we may deem you incapable of operating the Franchised Business if, without limitation, you are absent or incapacitated by reason of illness or death; you have failed to pay when due or have failed to remove any and all liens or encumbrances of every kind placed upon or against your business; or we determine that operational problems require that we operate your Franchised Business for a period of time that we determine, in our sole discretion, to be necessary to maintain the operation of the Franchised Business as a going concern.

18.18.2. We shall keep in a separate account all monies generated by the operation of your Franchised Business, less the expenses of the Franchised Business, including reasonable compensation and expenses for our representatives. In the event of our exercise of the Step-In Rights, you agree to hold harmless us and our representatives for all actions occurring during the course of such temporary operation. You agree to pay all of our reasonable attorneys' fees and costs incurred as a consequence of our exercise of the Step-In Rights. Nothing contained herein shall prevent us from exercising any other right which we may have under this Agreement, including, without limitation, termination.

19. NOTICES AND PAYMENTS

19.1. All written notices, reports, and payments (for payments, if any, that are not made electronically) permitted or required to be delivered by this Agreement or the Manual shall be in writing and shall be personally delivered, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties shown on Exhibit A, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

20. ACKNOWLEDGMENTS

20.1. Acknowledgements. You acknowledge as follows:

- 20.1.1. That you have independently investigated the Franchised Business as a franchise opportunity and recognize that, like any other business, the nature of the business of managing a Medspa may, and probably will, evolve and change over time.
- 20.1.2. That an investment in a Franchised Business involves business risks that could result in the loss of a significant portion or all of your investment.
- 20.1.3. That your business abilities and efforts are vital to your success.
- 20.1.4. That attracting members and clientele for the Medspa you manage will require you to make consistent marketing efforts in your community through various methods, including media advertising, direct mail advertising, and display materials.
- 20.1.5. That you must maintain a high level of customer service and adhere strictly to the System and our System Standards, and that you are committed to maintaining System Standards.
- 20.1.6. That you have not received from us, or any person or entity representing or claiming to represent us, and you are not relying upon, any representations or guarantees, express or

implied, as to the potential volume, sales, income, or profits of a Franchised Business, and that any financial information that may appear in our Franchise Disclosure Document is not a representation or guarantee as to potential volume, sales, income, or profits that you may achieve at a Franchised Business.

- 20.1.7. That in all of their dealings with you, our officers, directors, employees, and agents act only in a representative, and not in an individual, capacity and that business dealings between you and them as a result of this Agreement are deemed to be only between you and us.
- 20.1.8. That you and your owners agree to comply, and to assist us to the fullest extent possible in our efforts to comply, with Anti-Terrorism Laws (defined below). In connection with that compliance, you and your owners certify, represent, and warrant that none of your property or interests is subject to being blocked under, and that you and your owners otherwise are not in violation of, any of the Anti-Terrorism Laws. “Anti-Terrorism Laws” mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing or in any way relating to terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by you or your owners, or any blocking of your or your owners’ assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement.
- 20.1.9. That you have represented to us, to induce our entry into this Agreement, that all statements you have made and all materials you have given us are accurate and complete to the best of your knowledge and diligence in gathering required information and that you have made no misrepresentations or material omissions in obtaining the rights under this Franchise Agreement.
- 20.1.10. That you have read this Agreement and our Franchise Disclosure Document and understand and accept that this Agreement’s terms and covenants are reasonably necessary for us to maintain our high standards of quality and service, as well as the uniformity of those standards at each Franchised Business, and to protect and preserve the goodwill of the Marks.
- 20.1.11. That we have not made any representation, warranty, or other claim regarding this Franchised Business franchise opportunity, other than those made in this Agreement and our Franchise Disclosure Document, and that you have independently evaluated this opportunity, including by using your business professionals and advisors, and have relied solely upon those evaluations in deciding to enter into this Agreement.
- 20.1.12. That you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Franchised Business franchise opportunity, and that we have not refused to answer any questions, inquiries, or requests.
- 20.1.13. That you have been afforded an opportunity, and have been encouraged by us, to have this Agreement and all other agreements and materials we have given or made available to you reviewed by an attorney and have either done so or chosen not to do so.
- 20.1.14. That we may modify the offer of our franchise opportunity to other franchisees in any manner and at any time, and these offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.
- 20.1.15. That notwithstanding the foregoing, nothing in any franchise agreement is intended to disclaim the express representations made in the Franchise Disclosure Document.

- 20.1.16. That you have received from us a copy of our Franchise Disclosure Document, together with a copy of all proposed agreements relating to the sale of the franchise at least fourteen (14) calendar days before the execution of this Agreement or at least fourteen (14) calendar days before the payment by you to us or our affiliates of any consideration in connection with the sale or proposed sale of the franchise granted by this Agreement.
- 20.1.17. That attached to the Franchise Disclosure Document is a Franchisee Compliance Certification, which you have completed. You have executed the Compliance Certification voluntarily and attached it hereto.

***[REMAINDER OF PAGE LEFT INTENTIONALLY BLANK
SIGNATURES APPEAR ON FOLLOWING PAGE]***

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

ATTEST:

Witness

Witness

FRANCHISOR:
dermani MEDSPA® Franchising LLC
a Florida limited liability company

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

FRANCHISEE:

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

Exhibit A to the dermani MEDSPA® Franchise Agreement

PREMISES AND TERRITORY

1. The Premises of the Franchised Business will be located at:

2. The Territory shall be:

(or as depicted on the map attached to this Exhibit A).

3. Addresses for Notices:

Notices to Franchisor: dermani MEDSPA® Franchising LLC
9100 Conroy Windermere Road
Suite 200
Windermere, Florida 34786
Attention: _____
E-mail: _____

With a copy to: Lathrop GPM LLP
(but not as effective 600 New Hampshire Ave NW #700
notice) Washington, DC 20037
Attention: Mark Kirsch, Esq.
E-mail: mark.kirsch@lathropgpm.com

Notices to Franchisee: _____

Attention: _____
E-mail: _____

FRANCHISEE:

By: _____
Name: _____
Title: _____

FRANCHISOR:

dermani MEDSPA® Franchising LLC

By: _____
Name: _____
Title: _____

Exhibit B to the dermani MEDSPA® Franchise Agreement

COLLATERAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned (“Assignor”) assigns, transfers and sets over to dermani MEDSPA® Franchising LLC, a Florida limited liability company (“Assignee”), all of Assignor’s right and title to and interest in that certain “Lease” a copy of which is attached as Exhibit A respecting premises commonly known as _____. This assignment is for collateral purposes only and except as specified in this document Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor’s obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor’s default under the Lease or under the “Franchise Agreement” for a dermani MEDSPA® Franchised Business between Assignee and Assignor or in the event Assignor defaults under any document or instrument securing the Franchise Agreement Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee’s prior written consent. Throughout the term of the Franchise Agreement Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee’s failure to agree otherwise in writing and upon Assignor’s failure to elect to extend or renew the Lease as required Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

ASSIGNEE:

dermani MEDSPA® Franchising LLC

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

ASSIGNOR:

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

CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the Lease:

(a) Agrees to notify Assignee in writing of and upon Assignor's failure to cure any default by Assignor under the Lease;

(b) Agrees that Assignee will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the Collateral Assignment and agrees that if Assignee takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Assignee as tenant under the Lease, provided that Assignee cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Assignee may further assign the Lease to or enter into a sublease with a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor and that upon that assignment Assignee will have no further liability or obligation under the Lease as assignee, tenant or otherwise, other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Franchised Business.

Dated: _____

_____, Lessor

Exhibit C to the dermani MEDSPA® Franchise Agreement

LISTING OF OWNERSHIP INTERESTS

Effective Date: This Exhibit C is current and complete
as of _____, 20____

You and Your Owners

1. Form of Owner

(a) Individual Proprietorship. Your owner(s) (is) (are) as follows:

(b) Corporation, Limited Liability Company, or Partnership. You were incorporated or formed on _____, 20____ under the laws of the State of _____. You have not conducted business under any name other than your corporate, limited liability company, or partnership name and _____. The following is a list of your directors, if applicable, and officers as of the effective date shown above:

Name of Each Officer/Director

Position(s) Held

2. Owners

The following list includes the full name of each person who is one of your owners (as defined in the Franchise Agreement), or an owner of one of your owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

Owner's Name

Percentage/Description of Interest

3. Identification of Operating Principal

Your Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). You may not change the Operating Principal without our prior written approval.

FRANCHISEE:

By:_____

Name:_____

Title:_____

FRANCHISOR:

dermani MEDSPA® Franchising LLC

By:_____

Name:_____

Title:_____

Exhibit E to the dermani MEDSPA® Franchise Agreement

GUARANTY AND ASSUMPTION OF OBLIGATIONS

As an inducement to dermani MEDSPA® Franchising LLC (“**Franchisor**”) to execute the dermani MEDSPA Franchise Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20__ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all of the covenants contained in Section 5 (Marks), Section 6 (Confidentiality), 12 (transfer), 15 (Obligations Upon Termination or Expiration), and 15.4 (Covenant Not to Compete) of the Agreement, and acknowledge and agree that this Guarantee does not grant the undersigned any right to use the “dermani MEDSPA” marks or system licensed to Franchisee under the Agreement.

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’, and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 18 of the Agreement, and must be commenced in the state or federal court of general jurisdiction in which Franchisor has its principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 18 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR

Name: _____

Name: _____

Name: _____

Exhibit F to the dermani MEDSPA® Franchise Agreement

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(for trained employees, shareholders, officers, directors,
general partners, members and managers of Franchisee)**

In consideration of my being a _____ of _____
("Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is
acknowledged, I hereby acknowledge and agree that:

1. Pursuant to a Franchise Agreement dated _____, 20____ (the "Franchise Agreement"), Franchisee has acquired the right and franchise from dermani MEDSPA® Franchising LLC (the "Company") to establish and operate a dermani MEDSPA® medical care management business (the "Franchised Business") and the right to use in the operation of the Franchised Business the Company's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Marks"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and accepted location: _____ (the "Premises").

2. The Company, as the result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system (the "System") relating to the establishment and operation of Franchised Businesses that manage medspas or medical centers offering services which may include, but are not limited to, laser hair removal, skin rejuvenation, chemical peels, body contouring/skin tightening, microneedling, dermaplaning, and injections. The Company possesses certain proprietary and confidential information relating to the operation of the System, which includes certain proprietary trade secrets, methods, techniques, formats, specifications, systems, procedures, methods of business practices and management, sales and promotional techniques and knowledge of, and experience in, the operation of the Franchised Business (the "Confidential Information").

3. Any and all information, knowledge, know-how, and techniques which the Company specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Agreement.

4. As _____ of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me training programs, the Company's Confidential Operations Manual (the "Manual"), and other general assistance during the term of the Franchise Agreement.

5. I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the System would constitute an unfair method of competition.

6. The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as _____ of the Franchisee, and will continue not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

[Note to Franchisee: Section 7 of this Agreement, which includes a covenant not to compete, and a restriction on the employment of a competitor's employee is optional. dermani MEDSPA does not require you to include this language, and it is noted here only for your convenience. Your decision to have your employees execute this Agreement with this Section 7 included, and for you to enforce it, is your decision alone. If you elect to include this Section 7, that decision does not suggest that dermani MEDSPA is an employer of your employees.]

7. Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, either directly or indirectly for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any medspa or medical care business which: (a) is the same as, or substantially similar to, a Franchised Business; or (b) offers to sell or sells any products or services which are the same as, or substantially similar to, any of the products offered by a Franchised Business (a "Competitive Business"); and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, or upon the expiration, termination, transfer, or assignment of the Franchise Agreement, whichever occurs first, and continuing for two (2) years thereafter, either directly or indirectly, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation, own, maintain, operate, engage in, act as a consultant for, perform services for, or have any interest in any Competitive Business that is, or is intended to be, located at or within:

7.1 Franchisee's Territory, as defined in the Franchise Agreement ("Franchisee's Territory");

7.2 Five (5) miles of the border of Franchisee's Territory; or

7.3 Within the territory, area, or market area of any other Franchised Business or Medspa in operation or under construction on the latter of the effective date of the termination or expiration of the Franchise Agreement.

The prohibitions in this Paragraph 7 do not apply to my interests in or activities performed in connection with a Franchised Business. This restriction does not apply to my ownership of less than five percent (5%) beneficial interest in the outstanding securities of any publicly held company.

8. I agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which the Company is a party, I expressly agree to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

9. I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof; and I agree to comply forthwith with any covenant as so modified.

10. The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of an injunction preventing me from violating this Agreement, and I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation,

legal fees and expenses, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement.

11. This Agreement shall be construed under the laws of the State of Florida, without regard to the application of Florida conflict of law rules. The only way this Agreement can be changed is in writing signed by both the Franchisee and me.

Signature

Name

Address

Title

ACKNOWLEDGED BY FRANCHISEE

By:_____

Name:_____

Title:_____

Exhibit G to the dermani MEDSPA® Franchise Agreement

TRANSFER TO A CORPORATION OR LIMITED LIABILITY COMPANY

This Transfer Agreement shall amend that certain Franchise Agreement between _____ (“Franchisee”) and dermani MEDSPA® Franchising LLC (“Franchisor”).

The undersigned, an Officer, Director and Owner of a majority of the issued and outstanding voting stock of the Corporation set forth below, or Members of the issued and outstanding Interests of the Limited Liability Company set forth below, and the Franchisee of the Franchised Business under a Franchise Agreement executed on the date set forth below, between himself or herself and Franchisor, granting him/her a franchise to operate at the location set forth below, and the other undersigned Directors, Officers and Shareholders of the Corporation, or the Members of the Limited Liability Company, who together with Franchisee constitute all of the Shareholders of the Corporation, or the Members of the Limited Liability Company, in order to induce Franchisor to consent to the assignment of the Franchise Agreement to the Corporation or Limited Liability Company in accordance with the provisions of Section 12 of the Franchise Agreement, agree as follows:

1. The undersigned Franchisee shall remain personally liable in all respects under the Franchise Agreement and all the other undersigned Officers, Directors and Shareholders of the Corporation, or the Members of the Limited Liability Company, intending to be legally bound hereby, agree jointly and severally to be personally bound by the provisions of the Franchise Agreement including the restrictive covenants contained in Sections 6 and 15 thereof, to the same extent as if each of them were the Franchisee set forth in the Franchise Agreement and they jointly and severally personally guarantee all of the Franchisee’s obligations set forth in said Agreement.

2. The undersigned agree not to transfer any stock in the Corporation, or any interest in the Limited Liability Company without the prior written approval of the Franchisor and agree that all stock certificates representing shares in the Corporation, or all certificates representing interests in the Limited Liability Company shall bear the following legend:

“The shares of stock represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and dermani MEDSPA® Franchising LLC”

or

“The ownership interests represented by this certificate are subject to the terms and conditions set forth in a Franchise Agreement dated _____, 20__ between _____ and dermani MEDSPA® Franchising LLC”

3. _____ shall be designated as the “Operating Principal” and shall devote his/her best efforts to the day-to-day operation and development of the Franchised Business.

4. _____ hereby agrees to become a party to and to be bound by all of the provisions of the Franchise Agreement executed on the date set forth below between Franchisee and Franchisor, to the same extent as if it were named as the Franchisee therein.

Date of Franchise Agreement: _____

Location of Franchised Business: _____

WITNESS:

As to Paragraph 3:

[Name]

As to Paragraph 4:

[Name]

ATTEST:

Name of Corp. or Limited Liability Company

By: _____
Title: _____

In consideration of the execution of the above Agreement, dermani MEDSPA® Franchising LLC hereby consents to the above referred to assignment on this _____ day of _____, 20__.

dermani MEDSPA® Franchising LLC

By: _____
Name: _____
Title: _____

Exhibit H to the dermani MEDSPA® Franchise Agreement

MULTI-STATE ADDENDUM

[Reserved]

Exhibit I to the dermani MEDSPA® Franchise Agreement

INTERNET WEBSITES AND LISTINGS AGREEMENT

THIS INTERNET WEBSITES AND LISTINGS AGREEMENT (the “Internet Listing Agreement”) is made and entered into as of the ____ day of _____, 20__ (the “Effective Date”), by and between dermani MEDSPA® Franchising LLC, a Florida limited liability company (the “Franchisor”), and _____, a _____ (the “Franchisee”).

W I T N E S S E T H:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a dermani MEDSPA® Franchised Business (the “Franchise Agreement”); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Internet Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. DEFINITIONS

All terms used but not otherwise defined in this Internet Listing Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. TRANSFER; APPOINTMENT

2.1 Interest in Internet Websites, Social Media Pages and Profiles, and Listings and other client data. Franchisee may acquire (whether in accordance with or in violation of the Franchise Agreement) during the term of the Franchise Agreement, certain right, title, and interest in and to certain domain names, hypertext markup language, uniform resource locator addresses, and access to corresponding Internet websites, and the right to hyperlink to certain websites and listings on various Internet search engines (collectively, the “Internet Websites and Listings”) related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 Transfer. On Termination of the Franchise Agreement, or on periodic request of Franchisor, Franchisee will immediately direct all Internet Service Providers, domain name registries, Internet search engines, social media pages and profiles, and other listing agencies (collectively, the “Internet Companies”) with which Franchisee has Internet Websites and Listings: (i) to transfer all of Franchisee’s Interest in such Internet Websites and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Internet Websites and Listings, Franchisee will immediately direct the Internet Companies to terminate such Internet Websites and Listings or will take such other actions with respect to the Internet Websites and Listings as Franchisor directs.

2.3 Appointment; Power of Attorney. Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this

Internet Listing Agreement or otherwise, with full power of substitution, as Franchisee's true and lawful attorney-in-fact with full power and authority in Franchisee's place and stead, and in Franchisee's name or the name of any affiliated person or affiliated company of Franchisee, to take any and all appropriate action and to execute and deliver any and all documents that may be necessary or desirable to accomplish the purposes of this Internet Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including without limitation this Internet Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Internet Companies to transfer all Franchisee's Interest in and to the Internet Websites and Listings to Franchisor;

2.3.2 Direct the Internet Companies to terminate any or all of the Internet Websites and Listings; and

2.3.3 Execute the Internet Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Internet Companies to accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Internet Companies have duly transferred all Franchisee's Interest in such Internet Websites and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further interest in, or obligations under, such Internet Websites and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Internet Companies for the sums Franchisee is obligated to pay such Internet Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Internet Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Internet Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Internet Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to its performance, its nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and its and their directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Internet Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor hereunder are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Internet Websites and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date of this Internet Listing Agreement, Franchisee will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Internet Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Internet Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Internet Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Internet Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Internet Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Internet Listing Agreement shall be joint and several.

3.9 Governing Law. This Internet Listing Agreement shall be governed by and construed under the laws of the State of Florida, without regard to the application of Florida conflict of law rules.

IN WITNESS WHEREOF, the undersigned have executed or caused their duly authorized representatives to execute this Agreement as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

dermani MEDSPA® Franchising LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

TELEPHONE LISTING AGREEMENT

THIS TELEPHONE LISTING AGREEMENT (the “Telephone Listing Agreement”) is made and entered into as of the ____ day of _____, 20____ (the “Effective Date”), by and between dermani MEDSPA® Franchising LLC, a Florida limited liability company (the “Franchisor”), and _____, a _____ (the “Franchisee”).

WITNESSETH:

WHEREAS, Franchisee desires to enter into a Franchise Agreement with Franchisor for a dermani MEDSPA® Franchised Business (the “Franchise Agreement”); and

WHEREAS, Franchisor would not enter into the Franchise Agreement without Franchisee’s agreement to enter into, comply with, and be bound by all the terms and provisions of this Telephone Listing Agreement;

NOW, THEREFORE, for and in consideration of the foregoing and the mutual promises and covenants contained herein, and in further consideration of the Franchise Agreement and the mutual promises and covenants contained therein, and for other good and valuable consideration, the receipt and sufficiency of all of which are hereby acknowledged, the parties hereto agree as follows:

1. **DEFINITIONS**

All terms used but not otherwise defined in this Telephone Listing Agreement shall have the meanings set forth in the Franchise Agreement. “Termination” of the Franchise Agreement shall include, but shall not be limited to, the voluntary termination, involuntary termination, or natural expiration thereof.

2. **TRANSFER; APPOINTMENT**

2.1 **Interest in Telephone Numbers and Listings.** Franchisee has, or will acquire during the term of the Franchise Agreement, certain right, title, and interest in and to those certain telephone numbers and regular, classified, yellow-page, and other telephone directory listings (collectively, the “Telephone Numbers and Listings”) related to the Franchised Business or the Marks (all of which right, title, and interest is referred to herein as “Franchisee’s Interest”).

2.2 **Transfer.** On Termination of the Franchise Agreement, if Franchisor directs Franchisee to do so, Franchisee will immediately direct all telephone companies, telephone directory publishers, and telephone directory listing agencies (collectively, the “Telephone Companies”) with which Franchisee has Telephone Numbers and Listings: (i) to transfer all Franchisee’s Interest in such Telephone Numbers and Listings to Franchisor; and (ii) to execute such documents and take such actions as may be necessary to effectuate such transfer. In the event Franchisor does not desire to accept any or all such Telephone Numbers and Listings, Franchisee will immediately direct the Telephone Companies to terminate such Telephone Numbers and Listings or will take such other actions with respect to the Telephone Numbers and Listings as Franchisor directs.

2.3 **Appointment; Power of Attorney.** Franchisee hereby constitutes and appoints Franchisor and any officer or agent of Franchisor, for Franchisor’s benefit under the Franchise Agreement and this Telephone Listing Agreement or otherwise, with full power of substitution, as Franchisee’s true and lawful attorney-in-fact with full power and authority in Franchisee’s place and stead, and in Franchisee’s name or the name of any affiliated person or affiliated company of Franchisee, on Termination of the Franchise Agreement, to take any and all appropriate action and to execute and deliver any and all documents that

may be necessary or desirable to accomplish the purposes of this Telephone Listing Agreement. Franchisee further agrees that this appointment constitutes a power coupled with an interest and is irrevocable until Franchisee has satisfied all of its obligations under the Franchise Agreement and any and all other agreements to which Franchisee and any of its affiliates on the one hand, and Franchisor and any of its affiliates on the other, are parties, including, without limitation, this Telephone Listing Agreement. Without limiting the generality of the foregoing, Franchisee hereby grants to Franchisor the power and right to do the following:

2.3.1 Direct the Telephone Companies to transfer all Franchisee's Interest in and to the Telephone Numbers and Listings to Franchisor;

2.3.2 Direct the Telephone Companies to terminate any or all of the Telephone Numbers and Listings; and

2.3.3 Execute the Telephone Companies' standard assignment forms or other documents in order to affect such transfer or termination of Franchisee's Interest.

2.4 Certification of Termination. Franchisee hereby directs the Telephone Companies that they shall accept, as conclusive proof of Termination of the Franchise Agreement, Franchisor's written statement, signed by an officer or agent of Franchisor, that the Franchise Agreement has terminated.

2.5 Cessation of Obligations. After the Telephone Companies have duly transferred all Franchisee's Interest in such Telephone Numbers and Listings to Franchisor, as between Franchisee and Franchisor, Franchisee will have no further Interest in, or obligations under, such Telephone Numbers and Listings. Notwithstanding the foregoing, Franchisee will remain liable to each and all of the Telephone Companies for the sums Franchisee is obligated to pay such Telephone Companies for obligations Franchisee incurred before the date Franchisor duly accepted the transfer of such Interest, or for any other obligations not subject to the Franchise Agreement or this Telephone Listing Agreement.

3. MISCELLANEOUS

3.1 Release. Franchisee hereby releases, remises, acquits, and forever discharges each and all of the Telephone Companies and each and all of their parent corporations, subsidiaries, affiliates, directors, officers, stockholders, employees, and agents, and the successors and assigns of any of them, from any and all rights, demands, claims, damage, losses, costs, expenses, actions, and causes of action whatsoever, whether in tort or in contract, at law or in equity, known or unknown, contingent or fixed, suspected or unsuspected, arising out of, asserted in, assertable in, or in any way related to this Telephone Listing Agreement.

3.2 Indemnification. Franchisee is solely responsible for all costs and expenses related to Franchisee's performance, Franchisee's nonperformance, and Franchisor's enforcement of this Agreement, which costs and expenses Franchisee will pay Franchisor in full, without defense or setoff, on demand. Franchisee agrees that it will indemnify, defend, and hold harmless Franchisor and its affiliates, and the directors, officers, shareholders, partners, members, employees, agents, and attorneys of Franchisor and its affiliates, and the successors and assigns of any and all of them, from and against, and will reimburse Franchisor and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based on this Telephone Listing Agreement.

3.3 No Duty. The powers conferred on Franchisor under this Telephone Listing Agreement are solely to protect Franchisor's interests and shall not impose any duty on Franchisor to exercise any such

powers. Franchisee expressly agrees that in no event shall Franchisor be obligated to accept the transfer of any or all of Franchisee's Interest in any or all such Telephone Numbers and Listings.

3.4 Further Assurances. Franchisee agrees that at any time after the date hereof, it will perform such acts and execute and deliver such documents as may be necessary to assist in or accomplish the purposes of this Telephone Listing Agreement.

3.5 Successors, Assigns, and Affiliates. All Franchisor's rights and powers, and all Franchisee's obligations, under this Telephone Listing Agreement shall be binding on Franchisee's successors, assigns, and affiliated persons or entities as if they had duly executed this Telephone Listing Agreement.

3.6 Effect on Other Agreements. Except as otherwise provided in this Telephone Listing Agreement, all provisions of the Franchise Agreement and exhibits and schedules thereto shall remain in effect as set forth therein.

3.7 Survival. This Telephone Listing Agreement shall survive the Termination of the Franchise Agreement.

3.8 Joint and Several Obligations. All Franchisee's obligations under this Telephone Listing Agreement shall be joint and several.

3.9 Governing Law. This Telephone Listing Agreement shall be governed by and construed under the laws of the State of Florida, without regard to the application of Florida conflict of law rules.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Telephone Listing Agreement as of the Effective Date.

FRANCHISOR:

FRANCHISEE:

dermani MEDSPA® Franchising LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Exhibit J to the dermani MEDSPA® Franchise Agreement

FORM OF MANAGEMENT AGREEMENT

[Note: You must have this template/sample agreement reviewed, by local health law counsel, and REVISED FOR USE IN YOUR STATE.]

dermani MEDSPA® TEMPLATE MANAGEMENT SERVICES AGREEMENT

This **MANAGEMENT SERVICES AGREEMENT** (the “Agreement”) is made and entered into as of _____ (the “Effective Date”), by and between _____, P.C., a **[professional corporation]** (“Practice”), and _____, a **[corporation / limited liability company]** (“Manager”). Practice and Manager are referred to herein each individually as a “Party,” and collectively as the “Parties.”

RECITALS

WHEREAS, Practice is a **[professional corporation]** duly organized and operated under the laws of the State of _____ to provide medical spa and cosmetic services related to skin, cosmetic injectables and laser hair removal treatments;

WHEREAS, Manager is in the business of providing administrative, operational and other non-professional support services to professional firms who provide or arrange for the provision of professional services;

WHEREAS, Practice desires to engage Manager to provide administrative, operational, Manager Personnel (as defined in Section 3.02), and other non-professional support services in order to permit Practice to devote its full efforts to rendering Professional Services (as defined in Section 2.04) at **[Address of the Medspa location]** (the “Location”); and

WHEREAS, nothing in this Agreement and no action by Manager shall interfere in any way with the independent exercise of professional judgement by Practice or the Practitioners, as defined herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and on the terms and subject to the conditions set forth herein, the Parties have agreed and do hereby agree as follows:

ARTICLE I. ENGAGEMENT OF MANAGER

1.01. Primary Purpose. The primary purpose of this Agreement is to secure for Practice the administrative, operational and other non-professional support services necessary to permit the practitioners of Practice, which may include physicians, physician assistants, medical assistants, estheticians, laser practitioners, and other similar professionals (collectively, “Practitioners”) to devote their efforts on a concentrated and continuous basis to the rendering of Professional Services to its clients.

1.02. Engagement and Power of Attorney. Practice hereby engages Manager to act as the sole and exclusive manager of Practice in connection with the administrative, operational, and

non-professional activities of Practice (collectively, “Practice Operations”), in the name, for the account of, and on behalf of Practice, and Manager hereby accepts such engagement for and in consideration of the compensation hereinafter provided. Except to the extent otherwise prohibited by law, Practice hereby appoints Manager, during the term of this Agreement, including any renewals thereof, the true and lawful attorney-in-fact with full powers to take possession of, endorse in the name of Practice, and deposit to Practice’s account, as applicable, any notes, checks, money orders, insurance payments and any other document received in payment of any of the services rendered by Practice in connection with this Agreement.

ARTICLE II. GENERAL AUTHORITY OF THE PARTIES

2.01. Manager’s Authority. Subject to the authority of Practice set forth in Section 2.02, Manager has the full responsibility and authority to operate and manage the day-to-day aspects of Practice Operations in any commercially reasonable manner Manager deems appropriate and to perform the specific functions and activities set forth in Exhibit A, which is incorporated herein by reference. Manager shall have exclusive authority over all non-professional decision-making relating to the operations of Practice; provided, however, that Practice and its Practitioners shall retain full decision-making authority and relating to the delivery of Professional Services. Additional responsibilities and duties of Manager hereunder are set forth in Article III and Exhibit A to this Agreement.

2.02. Retained Authority of Practice. The managers of Practice (“Practice Managers”), and such officers of Practice to whom Practice Managers have delegated such authority, at all times retain: (a) all authority exclusively reserved to it by law and its governing documents, as may be amended from time to time; and (b) such authority over matters relating to the professional judgment and services of the Practitioners. Manager agrees that Practice and only Practice will perform the Professional Services and Manager will have no authority, directly or indirectly, to perform and will not perform any Professional Service. Each of the Parties hereto agrees to cooperate fully with the other in connection with the performance of the obligations set forth herein.

2.03. Relationship of the Parties. Manager and Practice are independent contractors with respect to each other. Practice and Manager each acknowledge and agree that:

- (a) Neither is the employee or employer of the other;
- (b) Nothing contained in this Agreement creates, constitutes or is to be construed as a partnership, joint venture, or any other business arrangement or organization between Practice and Manager;
- (c) Practice retains exclusive authority to direct the Professional Services and all related clinical aspects of Practice, and Manager shall not exercise control over or interfere with the Professional Services of the Practitioners;
- (d) Manager is not engaged in the practice of medicine or any Professional Service for which state law requires a license. Only Practice and the Practitioners will perform such Professional Services;

(e) All compensation to Manager is solely in exchange for use of Manager's systems, infrastructure and assets, and for Manager's provision of the Administrative Services (as defined herein) at a fair market value for such use and services;

(f) Manager may render similar services for other business entities and persons, whether or not engaged in the same business, and may enter into such other business activities as Manager, in its sole discretion, may determine, so long as the provision of such services does not prevent Manager from performing its duties under this Agreement; and

(g) Each Party shall be solely responsible for the acts and omissions of its own directors, officers, employees, affiliates, contractors and agents.

2.04. Regulatory Matters.

(a) Practice of Medicine. The Parties acknowledge that the medical spa and cosmetic services provided by Practice may constitute the "practice of medicine" under state laws and regulations. Notwithstanding anything contained in this Agreement, Practice will have exclusive authority and control over the professional aspects of Practice to the extent the same constitute or directly affect the practice of medicine, including but not limited to supervision and control of all professional affairs, all diagnosis, treatment and ethical determinations with respect to client which are required by law to be decided by a licensed professional and all professional management and clinical decision-making for Practice ("Professional Services"). All professional and health care services provided to clients shall be the ultimate responsibility of Practice. All policies and procedures of Practice relating to the governance of Practitioners and other licensed health care professionals who will be employed by or work under the direction of, or a contract with, Practice shall be adopted from time to time in the sole discretion of Practice, subject however only to prior notice to Manager (which shall not be able to approve or disapprove such policies). Such policies may include practice standards, peer review and corrective action, disciplinary matters, clinical procedures, utilization review and quality assurance procedures, credentialing, client care decisions, physician and other licensed health care professional compensation and incentives and training, continuing education, development and supervision. Manager shall have no right, either directly or indirectly, to control or direct the delivery of any Professional Service by Practice to any person and shall not: (i) interfere in any aspect of Practice's operations that is encompassed within the Professional Services; or (ii) direct or influence referrals to Practitioners or other health care professionals. Should any function assigned to Manager under this Agreement be construed to be within the scope of Professional Services such that, if performed by Manager, it would violate prohibitions on the corporate practice of medicine, such function thereafter shall be assigned to, and upon acceptance by Practice, become the responsibility of Practice.

(b) Client Records. On termination of this Agreement, Practice shall retain ownership of all client records maintained by Practice or Manager in the name of Practice. Practice shall, at its option, be entitled to retain copies of financial and accounting records relating to the Professional Services performed by Practice. Manager shall be entitled to access Practice's client files to the extent that such files provide information that is required

and necessary for Manager to provide services to Practice, provided that such use is pursuant to the Business Associate Agreement set forth at Exhibit C and the confidentiality of such records is protected as required by applicable laws and regulations. All records relating in any way to the operation of Practice which are not the property of Practice under the foregoing provisions shall at all times be the property of Manager. Practice shall be entitled to access any financial, accounting and other information relating to Practice and to make copies thereof. Manager will provide and maintain a records and information policy and related procedures, as well as a policy and related procedures for data privacy and security, for both Parties.

ARTICLE III. DUTIES OF MANAGER

3.01. Administrative Services. Consistent with applicable federal, state and local laws, Practice hereby engages Manager on an exclusive basis to provide administrative, operational and non-professional services to Practice. Manager's duties include, but are not limited to, providing the services set forth on attached Exhibit A (collectively, the "Administrative Services"). Exhibit A may be amended or substituted from time to time, as mutually agreed by the Parties. The amended Exhibit A shall state the date upon which all changes are effective.

3.02. Manager Personnel. Manager shall provide the personnel needed to operate and support the provision of Administrative Services ("Manager Personnel"). Manager shall recruit, hire, supervise, monitor, train, discipline, and terminate Manager Personnel and shall maintain and provide storage facilities for the human resource records and other employment information of both Manager Personnel and Practitioners. Consistent with reasonably prudent personnel management policies, Manager shall seek and consider the advice, input, and requests of Practice in regards to Manager Personnel matters. Practice shall at all times have discretion over all decisions relating to Practitioners.

3.03. Advisors, Consultants, Subcontractors, and Affiliates. Manager may utilize the services of advisors, consultants, subcontractors, and affiliates as it deems necessary to carry out the Administrative Services; provided, however, if Practice delivers to Manager a written good faith and reasonable objection against the continued use of any particular advisor, consultant, subcontractor or affiliate, Manager shall consider such objection in good faith. Practice acknowledges and understands that Manager operates as a franchisee of "dermani MEDSPA Franchising, LLC" (the "Franchisor") and Franchisor may be authorized to provide some, or provide support for some Administrative Services.

3.04. Excluded Services and Liabilities. Manager has no obligation or authority under this Agreement regarding, and shall not undertake, any activity that is required by law to be provided solely by a licensed physician.

3.05. Authority to Carry out Administrative Services. Practice hereby grants Manager the authority to carry out the Administrative Services on behalf of Practice. Accordingly, Practice hereby grants Manager, and individuals that Manager authorizes to carry out the Administrative Services, with the authority to execute contracts and other instruments on behalf of Practice (which do not relate to or interfere with the professional judgment of Practice or its health care providers) as is necessary or useful in the performance of the Administrative Services; provided, however,

that this provision does not apply where any applicable law or regulation expressly prohibits such a delegation of authority.

3.06. Loans. Manager or an affiliate of Manager or any of its shareholders may extend loans or lines of credit, as may be necessary and at the request of Practice, to Practice under commercially reasonable terms and subject to applicable law.

ARTICLE IV. DUTIES OF PRACTICE

4.01. Fees. Practice shall pay Manager the fees as set forth in Article VIII.

4.02. Practice Governance. Practice is solely responsible for matters involving its internal corporate governance, employees, and similar internal matters. Practice covenants and agrees that, at all times during the term of this Agreement, it shall conduct all corporate activities required by its articles of incorporation and operating agreement, including but not limited to election of managers, election of officers, and appointment of committee members including but not limited to any Utilization Review and Quality Assurance Committees.

4.03. Compliance with Laws. At all times during the term of this Agreement, Practice shall be, and shall ensure that each Practitioner is, appropriately licensed by the State of _____. Practice shall comply, and shall ensure that all employed Practitioners comply, with all applicable federal, state, and local laws, rules, regulations, and restrictions, including without limitation, the federal and state anti-kickback statute, federal false claims act, Stark and self-referral statutes, false claims act of any state and those requirements imposed on Practice by any licenses, permits, certificates of authority or authorizations (including authorizations or agreements to participate in the Medicare or state Medicaid programs) which Practice is required to maintain. In the event that any disciplinary actions or professional liability actions are initiated against any Practitioner employed by Practice, Practice shall immediately inform Manager of such action and the underlying facts and circumstances. With the assistance of and consultation with Manager, Practice shall establish and operate a peer review program for all Practitioners practicing on its behalf. Practice shall monitor the quality of services provided by Practitioners. Practice shall obtain consent and authorization from every client, as necessary and consistent with federal and state laws and regulations, to permit Practice to disclose client information to Manager and Franchisor.

4.04. Practice Restrictive Covenant. During the term of this Agreement, Practice shall not directly or indirectly, through an affiliate (which shall not include independent contractor physicians of Practice) or otherwise, without the prior written consent of Manager, which consent may be withheld by Manager in its sole discretion, acquire, establish, operate, manage, control, own (debt or equity, but excluding ownership of less than five percent of the equity of any publicly traded entity), or maintain any other interest in, in any such case within the United States: (a) any entity or enterprise, other than Practice, that provides the Professional Services; (b) any entity or enterprise that provides administrative, operational and non-professional services to Practitioners or offers any type of services or products similar to those that Manager offers; or (c) any health maintenance organization, preferred provider organization, exclusive provider organization, or similar entity or organization. Furthermore, upon the termination or expiration of this Agreement, the Practice shall not, for a period of two (2) years, acquire, establish, operate, manage, control, own (debt or equity, but excluding ownership of less than five percent of the equity of any publicly

traded entity), or maintain any other interest in, in any such case within the United States any entity or enterprise that provides the Professional Services at the Location or within a ten (10) mile radius of the Location. Practice acknowledges that the geographic boundaries, scope of prohibited activities and the duration of this Section 4.04 are reasonable and are no broader than are necessary to protect the legitimate business interests of Manager. The Parties agree and stipulate that the agreements and covenants not to compete contained in this Section 4.04 are fair and reasonable in light of all of the facts and circumstances of the relationship between Manager and Practice. Manager and Practice are aware, however, that in certain circumstances courts have refused to enforce certain agreements not to compete. Therefore, in furtherance of, and not in derogation of, the provisions of this Section 4.04, Manager and Practice agree that, in the event a court should decline to enforce any of the provisions of this Section 4.04, this Section 4.04 shall be deemed to be modified or reformed to restrict Practice's competition with Manager to the maximum extent, as to time, geography and business scope, which the court shall find enforceable; provided, however, that in no event shall the provisions of this Section 4.04 be deemed to be more restrictive to Practice than those contained herein. **[Practice shall ensure that any Practitioner that provides Professional Services agrees in writing to the same restrictions in this Section 4.04 that apply to Practice; provided, however, that Practice shall allow Practitioners to be employed by, operate, manage, control, establish, own, or maintain an entity that provides Professional Services at the Location under a management agreement between Manager and a professional corporation.] [Manager acknowledges and agrees that during the term of this Agreement, Practice and its Practitioners may continue to perform and maintain the [medical directorships] [preferred provider services] that it and they perform as of the Effective Date (“Permitted Relationships”) without violating the terms of this Section 4.04. The Permitted Relationships are listed on Schedule 4.04.]**

4.05. Taxes. Practice shall ensure that Practice timely files and properly pays all federal, state, local, or foreign assessments, levies, or taxes of any kind, all at the direction of the Manager, including without limitation, income, payroll, and property taxes, together with any applicable interest or penalties, whether disputed or not, imposed by the United States, by any foreign country, or by any state, municipality, subdivision or instrumentality of any of the foregoing, or any other taxing authority of any kind.

4.06. Practitioners. Practice shall provide, either directly or indirectly, all Practitioners necessary to provide Professional Services. Practice shall contract for the services of its Practitioners in accordance with the fair market value of the services for the locale where Practice is located and the specific functions performed by such Practitioners. The Parties acknowledge and agree that all Practitioners providing Professional Services for Practice are doing so independently under a separate contractual arrangement between Practice and Practitioners. All Professional Services shall at all times be the sole responsibility of Practice. Practice, through its Practitioners, shall be responsible for and shall have complete authority, supervision, and control over the provision and performance of the Professional Services and all other professional services related thereto. All diagnosis, treatments, and other professional healthcare services provided by Practice shall be provided and performed exclusively by or under the supervision of such providers as Practice deems appropriate. The Parties agree that Manager shall have and exercise absolutely no control or supervision over the provision of Professional Services. Notwithstanding the foregoing, to the extent permitted by state laws and regulations, Practice shall seek and consider the advice, input, and requests of Manager with regards to general Practitioner personnel matters.

4.07. Good Standing. Practice is, and shall remain throughout the term of this Agreement, a professional **[corporation]** in good standing under the laws of the State of _____, with no legal or other impediments to carrying out its duties hereunder.

4.08. Payment of Practice's Obligations. Manager shall have no liability for any of Practice's debts and expenses or other obligations, except as expressly set forth in this Agreement

ARTICLE V. MEDICAL AND MEDICAL DIRECTOR SERVICES

5.01. Medical and Medical Director Services. Practice shall be solely responsible for appointing physicians to act as the medical directors and the associate medical directors of Practice ("Medical Directors"), to the extent required by state law or regulation. Practice represents and warrants that each Medical Director is a physician licensed to practice medicine in the State of _____ and shall at all times during the term of this Agreement maintain an unrestricted license to practice in the State of _____. The Medical Directors shall have the sole authority to perform the professional medical direction of the services provided through Practice and its Practitioners. Practice shall ensure that the Medical Directors will work cooperatively with Manager and its employees and contractors in order to permit Manager to fulfill its obligations in performing the Administrative Services.

ARTICLE VI. BILLING AGENT AGREEMENT

6.01. Professional and Other Fees. In order to accurately bill Practice's clients, Practice with Manager's assistance shall establish a schedule of fees and charges for the Professional Services. Practice agrees that any schedule of fees and charges is subject to approval by Manager only to the extent necessary to ensure Manager is able to administer the schedule of fees and charges.

6.02. Billings. Billings of Practice for all services rendered by Practice shall be by and in the name of Practice. Practice will use the name "**[Enter Name]**" or a similar name in its billings.

6.03. Billing and Collection Agent. Subject to the provisions of this Agreement, and until Practice otherwise directs in writing, Manager shall serve as collection agent for Practice in connection with client, responsible party and insurance billing of Practice. Manager shall maintain accurate accounting of all collected fees generated from Practice as well as payment of Practice expenses, including Manager's Administrative Fee. Said processing shall consist of establishing and maintaining a book account for Practice showing all fee collections and expense disbursements made by Manager on Practice's behalf. Manager shall provide Practice with financial statements for Practice reflecting such processing. All decisions regarding the collection or collectability of accounts receivable, the establishment and maintenance of the depository account described herein, and control over the financial accounts of Practice shall rest with Practice and Manager's sole role and responsibility shall be to act as agent for and at the direction and control of Practice with respect to such matters.

6.04. Reports. Manager shall provide Practice, weekly, monthly, and annually, with financial statements for Practice.

ARTICLE VII. INSURANCE

7.01. Insurance. At all times during the term of this Agreement, Manager shall obtain and maintain all prudent insurance policies in such amounts and with such deductibles as it deems necessary, on behalf of and for the benefit of both Practice and Manager, including comprehensive general liability insurance, and such other insurance as is customary or appropriate in connection with operation of Practice. Insurance shall be sufficient to cover the liabilities arising from both Parties' obligations under this Agreement. Practice shall be named as an 'insured' or 'additional insured' for all insurance policies required by this Agreement. Manager shall provide certificates of insurance and other evidence of insurance coverage on behalf of Practice. All insurance policies, including but not limited to, the professional liability insurance required by Section 7.03 shall be the sole financial obligation of the Manager, in connection with its Administrative duties.

7.02. Requirement of Notification. Manager shall notify Practice sixty (60) days prior to the effective date of any material proposed change in insurance amounts or coverage. This Section 7.02 applies to any cancellation, non-renewal, reduction in amount of coverage, replacement, or substitution of any policy or policies. Practice reserves the right to obtain its own policy or policies if Manager fails obtain insurance of the types and in the amounts specified in this Agreement.

7.03. Professional Liability Insurance. Manager shall procure and maintain professional liability insurance in Practice's name for and on behalf of Practice and all Practitioners, to the extent necessary or required.

ARTICLE VIII. ADMINISTRATIVE FEE

8.01. Administrative Fee. In consideration for the Administrative Services provided by Manager, Practice shall pay to Manager the fee set forth in Exhibit B (the "Administrative Fee"). Practice and Manager agree that the Administrative Fee is in consideration for the Administrative Services provided by Manager and the substantial commitment and effort made by Manager, and that such fees have been negotiated at arm's length and are fair, reasonable, and consistent with fair market value. No amount paid hereunder is intended to be, nor shall it be construed to be, an inducement or payment for referral, or recommendation of referral, of clients by Practice to Manager (or its affiliates) or by Manager (or its affiliates) to Practice. In addition, the Administrative Fee charged hereunder does not include any discount, rebate, kickback, or other reduction in charge.

8.02. Shortfall Amount. If at any time Practice fails to timely pay amounts due to Manager pursuant to this Article VIII, any amounts due and payable shall accrue interest at _____ percent (___%) **[(the Prime Rate plus one percent (1%) per annum, as published in the Wall Street Journal on the date such shortfall originates)]**.

**ARTICLE IX.
TERM OF AGREEMENT**

9.01. Term. The term of this Agreement shall be **[five (5)]** years from the Effective Date, and shall automatically renew annually thereafter, subject only to the rights of termination pursuant to Sections 9.02, 9.03, 9.04, and 9.05.

9.02. Termination by either Party with Cause. This Agreement may be terminated upon a material breach of any provision of this Agreement that is not cured within thirty (30) days after written notice is given to the breaching party specifying the nature of the alleged breach.

9.03. Notice of Non-Renewal. Either party may terminate this agreement by providing advanced written notice to the other party at least one hundred twenty (120) days before the expiration of then-current initial or renewal term.

9.04. Rights upon Termination. Upon expiration or termination of this Agreement for any reason, Practice will immediately surrender to Manager any property or proprietary information of Manager in the possession of Practice at the time of termination and Manager will immediately surrender to Practice all books, records and electronic files pertaining to Practice that are not the property or proprietary information of Manager. Termination of this Agreement will not release or discharge either Party from any obligation, debt or liability which will have previously accrued and remain to be performed upon the date of termination.

9.05. Additional Remedies. In the event a default by either Party involves the failure to make a payment as provided in this Agreement, the non-defaulting Party shall, in addition to the recovery of the amount unpaid, be entitled to reasonable attorneys' fees and costs of collection, and shall be further entitled to interest on such unpaid amounts from the date such amounts become due and payable.

**ARTICLE X.
CLIENT CONFIDENTIALITY**

10.01. General Confidentiality. Manager shall protect the confidentiality of the records of Practice, including those related to Practice Operations, to the extent such records are within the control or direction of Manager, including, without limitation, client records, and shall comply with the Business Associate Agreement set forth at Exhibit C and applicable federal, state, and local laws and regulations, and professional ethical standards pertaining to the records of Practice. Manager shall take no action with respect to such client records to which Practice objects, unless otherwise required by law or to comply with an order of any court or governmental agency.

**ARTICLE XI.
MISCELLANEOUS**

11.01. Assignment.

(a) Manager may assign any or all of its rights and delegate any or all of its obligations hereunder to any of its affiliates. Manager may also assign all or any part of its right, title and interest in any payments to be received hereunder by Manager to a bank

or any other financial institution or any person from which Manager has obtained, or will obtain, financing, and Manager may grant a security interest in such payments.

(b) Manager may assign this Agreement to an entity of any kind succeeding to the business of Manager in connection with the merger, consolidation, or transfer of all or substantially all of the assets and business of Manager to such successor.

(c) All of the terms, provisions, covenants, conditions, and obligations of this Agreement shall be binding upon, and inure to the benefit of, the successors in interest and permitted assigns of the Parties hereto.

11.02. Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement (each a “Notice”) shall be in writing and will be deemed to have been given (a) when personally delivered, (b) when receipt is electronically confirmed, if sent by facsimile, telecopy or other electronic transmission device; provided, however, that if receipt is confirmed after normal business hours of the recipient, notice shall be deemed to have been given on the next business day, (c) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery or (d) three business days after being sent by registered or certified mail. Notices, demands and communications to Practice and Manager shall, unless another address is specified in writing, be sent to the address indicated below:

If to Practice:

[Address]

Attention: _____

If to Manager:

[Address]

Attention: _____

With a copy to:

dermani MEDSPA® Franchising LLC
9100 Conroy Windermere Road
Suite 200
Windermere, Florida 34786
Attention: Harvey Hillyer

11.03. Severability. In the event that any provision of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction, the remaining provisions hereof shall not be affected thereby, and the provision found invalid or unenforceable shall be revised or interpreted to the extent permitted by law so as to uphold the validity and enforceability of this Agreement and the intent of the Parties as expressed herein.

11.04. Governing Law. This Agreement shall be governed by, and interpreted, construed and enforced in accordance with, the laws of the State of _____ without regard to its choice of law provisions and principles.

11.05. Entire Agreement; Amendment. This Agreement, along with all agreements and Exhibits to this Agreement referred to herein, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes any and all prior agreements, either oral or written, between the Parties with respect thereto. Any modification to this Agreement must be made in writing and signed by the Parties. The Parties agree that the Exhibits will be amended, revised or substituted from time to time, and that each new or amended Exhibit will state the date upon which all changes or amendments become effective.

11.06. Headings. The captions at the head of a section or a paragraph of this Agreement are designed for convenience of reference only and are not to be used to interpret any provision of this Agreement.

11.07. Waiver. No term or condition of this Agreement shall be deemed to have been waived except by written instrument of the Party charged with such waiver.

11.08. Construction. The language herein shall be construed, in all cases, according to its plain meaning, and not for or against either Party. The Parties acknowledge that each Party and its counsel have reviewed this Agreement and that the rule of construction which states that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement.

11.09. Prevention of Performance. Neither Party shall be liable to the other for any loss or damage to Practice (including, without limitation, direct, indirect, incidental and consequential damages) due to any failure in its performance hereunder: (a) because of compliance with any order, request, or control of any governmental authority or person purporting to act therefore, whether or not said order, request or control ultimately proves to have been invalid; or (b) when its performance is interrupted, frustrated or prevented, or rendered impossible or impractical because of wars, hostilities, public disorders, acts of enemies, sabotage, strikes, lockouts, labor or employment difficulties, fires, or acts of God, or any cause beyond its control, whether or not similar to any of the foregoing. Without limitation of the foregoing, neither Party shall be required to challenge or resist any such order, request or control, or to proceed or attempt to proceed with performance if such shall involve additional expense or a departure from its normal practices, unless the Parties shall expressly agree as to the further obligations (including, without limitation, an obligation to bear all or part of any such additional expense) to be borne as mutually agreed as between the Parties.

11.10. Waiver of Breach. The waiver of any breach of any term or condition of this Agreement shall not be deemed to constitute the waiver of any subsequent breach of the same or any other term or condition hereof.

11.11. Books and Records. Manager and any of Manager's counsel, accountants or designated representatives, during normal business hours, will have the right to examine and make copies of Practice's books and records. Practice will have the right to inspect and copy all books and records of Manager related to the Administrative Services.

11.12. Ownership of Materials; Confidentiality

(a) All marketing materials, advertisements, programs, guides, publications, pamphlets, flyers and all such other forms of information and materials (collectively, “Marketing Materials”) designed and developed by Manager to assist Practice in the marketing of Practice’s Professional Services, together with any and all such other Marketing Materials designed and/or developed by Manager for Practice, belong to and are the exclusive property of Manager.

(b) Upon termination of this Agreement, Practice shall promptly relinquish to Manager all papers, documents, writings, files, data, or materials, including, without limitation, the Marketing Materials, belonging to Manager that are, at such time, in the possession of Practice.

(c) All educational and marketing materials, advertisements, programs, guides, publications, pamphlets, flyers, and all such other forms of information and materials (collectively, “Practice Materials”) designed and developed solely by Practice for its use in the marketing of Practice’s Professional Services, together with any and all such other Practice Materials designed and/or developed by Practice, belong to and are the exclusive property of Practice.

(d) Upon termination of this Agreement, Manager shall promptly relinquish to Practice all papers, documents, writings, files, data, or materials, including, without limitation, Practice Materials, belonging to Practice that are, at such time, in the possession of Manager.

(e) Each Party shall hold, and shall use its commercially reasonable best efforts to cause its affiliates, and their respective officers, directors, employees and agents to hold, in strict confidence from any person, unless (a) compelled to disclose by judicial or administrative process or by other requirements of law or (b) disclosed in an action or proceeding brought by a Party in pursuit of its rights or in the exercise of its remedies hereby, all documents and information concerning the other Party or any of its affiliates furnished to it by any other Party or such other Party’s officers, directors and agents in connection with this Agreement, except to the extent that such documents or information can be shown to have been (i) previously known by the Party receiving (“Receiving Party”) such documents or information, (ii) in the public domain (either prior to or after the furnishing of such documents or information hereby) through no fault of such Receiving Party or (iii) later acquired by the Receiving Party from another source if the Receiving Party is not aware that such source is under an obligation to another Party to keep such documents and information confidential.

11.13. Mutual Indemnification. Each Party shall indemnify, hold harmless, and defend the other Party from and against any liability, loss, claim, lawsuit, damage, injury, cost, expense or other detriment caused or asserted to have been caused, directly or indirectly, by or as a result of the performance of any intentional acts, negligent acts or omissions under this Agreement by such indemnifying Party, its employees, officers, and agents, including, without limitation, all consequential damages and reasonable attorneys’ fees, provided, however, that neither Party shall

be liable to the other Party under this Section 11.13 for any claims that are covered by insurance, except to the extent liability of the protected Party exceeds the amount of the coverage.

11.14. Remedies. The remedies provided to the Parties by this Agreement are not exclusive or exhaustive, but cumulative and in addition to any other remedies the Parties may have, at law or in equity.

11.15. Survival. The following sections and articles of this Agreement shall survive termination of this Agreement for any reasons: Section 10.01; Section 11.12; Section 11.13; and Article VII.

11.16. Third Party Beneficiary. dermani MEDSPA Franchising LLC is an express third party beneficiary of this Agreement and may, directly or indirectly, enforce any right of Manager hereunder.

11.17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute one and the same instrument.

11.18. Consent to Jurisdiction; Waiver of Jury Trial. The Parties agree that any dispute arising under this Agreement shall be litigated in the courts of the State of _____ or the courts of the United States for the District of _____, and, by execution and delivery of this Agreement, the Parties hereby accept for themselves and in respect of their property, generally and unconditionally, the exclusive jurisdiction of the aforesaid courts and appellate courts. The Parties waive the right to trial by jury with respect to any claims hereby. The Parties further irrevocably consent to the service of process out of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by registered or certified mail, postage prepaid, to the Parties at their addresses referred to in Section 11.02. The Parties hereby irrevocably waive any objection which they may now or hereafter have to the laying of venue of any of the aforesaid actions or proceedings arising out of or in connection with this Agreement brought in the courts referred to and hereby further irrevocably waive and agree, to the extent permitted by applicable law, not to plead or claim in any such court that any such action or proceeding brought in any such court has been brought in an inconvenient forum.

[Signature page follows.]

IN WITNESS WHEREOF, the Parties have duly executed this Management Services Agreement effective on the date set forth above:

[Practice]

By: _____

Its: _____

[Manager]

By: _____

Its: _____

EXHIBIT A

ADMINISTRATIVE SERVICES

Subject to the limitations, conditions and restrictions contained in the Agreement and any further restrictions imposed by applicable law (including state corporate practice of medicine doctrines), Manager shall provide the following services:

(a) General Administrative Services. Manager shall provide general business administration and supervision for the business operations of Practice, which shall include secretarial and other office personnel support services, collection of client fees, procurement of office and professional supplies, procurement of any equipment, management of electronic records, staff support for Practice Managers and committee meetings of Practice, administrative record keeping, other similar administrative services required in the day-to-day operation of Practice, human resources support, IT systems and support, provision of necessary office space, and real estate management and acquisition.

(b) Enhancement of Service Delivery. Manager shall assist Practice regarding the assessment of the effects and efficiencies of Practice's evolving service delivery model.

(c) Accounting and Financial Administrative Services. With respect to accounting and financial management services, Manager shall:

(i) have exclusive authority with respect to the establishment and preparation of annual budgets for Practice, which budgets shall reflect in reasonable detail anticipated revenues and expenses;

(ii) in consultation with Practice, whose consent shall not unreasonably be withheld, establish bank accounts in Practice's name ("Accounts") for the deposit of all sums received by Practice. Practice agrees that Manager shall have the authority to endorse all checks made payable to Practice and deposit checks and funds received by Practice in the Accounts. Manager shall further have the authority to make transfers of funds to the Accounts and further, Manager shall have the authority to sign checks and stop payment on any checks drawn on the Accounts;

(iii) reconcile checks written with bank statements on a monthly basis;

(iv) prepare balance sheets and income statements on a monthly basis during the term of this Agreement. Such financial statements shall not be audited statements. Manager agrees to cooperate with any annual audit Practice obtains at Practice's sole cost and expense by an independent public accounting firm selected by Manager;

(v) receive and deposit on a timely basis capitation and other payments received by Practice;

(vi) make recommendations regarding check signature approvals and banking procedures of Practice; and

(vii) assist Practice in establishing and administering a Practitioner incentive system.

(d) Budgets and Reports. Manager shall prepare and deliver to Practice annual budgets and monthly financial reports, and prepare written reports, as requested, for meetings of Practice's management and Practice Managers and assist Practice Managers in establishing policies related to cash investment, tax planning, and other financial policies, which may periodically be adopted by Practice Managers. Manager's activities in this regard shall be limited to recommendations. Practice Managers shall retain sole fiduciary responsibility with respect to this Section (d), and shall make all decisions regarding investment and other financial policies.

(e) Tax Returns. Manager shall assist Practice with preparing monthly, quarterly, and year-end financial statements and required accounting records for Practice's tax accountant.

(f) Marketing. Manager shall provide staff to assist Practice with marketing and public relations functions on behalf of Practice, including without limitation, periodic marketing and sales plan support, graphics and printed material support, advertising, sales, and promotion services.

(g) Strategic Plan. Manager shall assist Practice in developing strategic short, medium, and long-range objectives with respect to Practice and Practice's professional activities, including identification of new types of services, professional relationships, applications of services, and development of protocols.

(h) Compliance Program. Manager shall assist Practice in complying with all applicable foreign, federal, state, and local rules, regulations, statutes, laws, and ordinances governing Practice and Practice's professional activities, including the creation and maintenance of records, reports, applications, returns, and other documents required by foreign, federal, state, and local governmental entities or instrumentalities of any type. Manager shall develop, on behalf of Practice, a compliance program under which Manager shall make available a compliance officer, policies and procedures, compliance hotline and compliance training program for Practice's personnel to facilitate compliance by Practice with laws affecting its business and to create a reporting process for concerns regarding compliance issues. Manager shall coordinate filing of all state mandated clinical and financial reports.

(i) Licenses. Manager shall manage the obtaining and maintaining of all governmental licenses, permits, and certifications required by Practice and the individual Practitioners.

(j) Practitioners and Employees. With respect to Practitioners and Practice employees, Practice shall consult with Manager, and Manager shall assist Practice with the following:

(i) developing Practice policies and procedures, including without limitation, client acceptance policies and procedures, except with respect to the professional aspects of Practice to the extent the same constitute or directly affect the practice of medicine which are required by applicable law to be decided by a physician; and

(ii) instructing all Practitioners and their office staff regarding established Practice policies and procedures at least quarterly during the term of this Agreement.

Provided, however, that Practice shall have the exclusive authority to make all final decisions regarding Practitioners and other Practice employees; including without limitation, decisions and actions regarding hiring, firing, compensation, benefits, discipline, and scheduling of employees.

(k) Recruitment. Practice shall consult with Manager and Manager shall assist Practice in locating and recruiting candidate Practitioners for consideration by Practice for admission as Practitioners to Practice. Decisions as to the professional abilities and suitability for admission into Practice and the engagement of such provider by Practice shall exclusively be within the authority of Practice.

(l) Quality Improvement. Consistent with and as required by the Health Care Quality Improvement Act of 1986, 42 U.S.C. § 11101, Manager shall assist Practice in developing and maintaining programs to improve the quality of care provided by Practice's Practitioners, to the extent necessary or required by law. Specifically, Manager shall assist Practice in implementing the following programs:

(i) Peer Review. Upon a request for peer review from an officer or Practitioner, Manager shall support Practice in arranging for a review by a qualified professional or professionals in the same or similar specialty as the Practitioner under review ("Review Panel"). The Review Panel shall report the results of such review to the officer or agent of Practice and provide assistance to Practice to implement recommendations, follow-up and fulfill reporting obligations, if any.

(ii) Development and Monitoring of Quality Improvement Programs. Manager shall assist Practice in developing and in monitoring the implementation and success of programs designed to improve the quality of services provided by the Practitioners and encourage identification and adoption of best demonstrated processes.

(iii) Reporting. Practice shall consult with Manager and Manager shall assist Practice in preparing annual reports, or more frequent reports as the Parties deem necessary, using data provided by Manager for Practice's exclusive use in evaluating the professional practices, quality outcomes and professional economics of the Practitioners

for purposes related to maintaining a high level of client quality and improving the efficiencies of the Practitioners.

(m) Insurance. Manager shall evaluate, on an ongoing basis, the professional liability, general liability, and other insurance needs of Practice, taking into consideration coverage customarily maintained by similar enterprises, hospital requirements, and general availability of coverage in the market. Insurance shall be maintained in accordance with Article VII.

(n) Legal Representation. Manager shall arrange for legal resources for Practice including negotiating contracts, contract review, maintaining corporate records and minute books, and general legal compliance for Practice. Manager's counsel may provide legal services to assist Manager with these services. Given the Parties' common interests as set forth in this Agreement, it may become necessary for Manager or its counsel to share information protected by the attorney-client privilege or work product doctrine with Practice. It is the intention of the Parties that any such information shared with Practice is being disclosed pursuant to the Parties' common interests as described in this Agreement and that any existing privileges or protections under law not be waived. Practice agrees to maintain complete confidentiality with respect to any privileged or work product information shared and will not disclose such information without prior consent from the Manager and its counsel. Manager also shall develop programs to identify areas of potential legal risk for Practice and provide and coordinate legal representation in the event of actual or anticipated litigation against Practice. Manager shall assist Practice with instituting in the name of Practice any and all legal actions or proceedings.

This Exhibit A is effective as of: _____, 20____.

This Exhibit A has been amended, effective as of: _____, 20____.

Acknowledged by:

[Practice]

By: _____
Name: _____
Date: _____

[Manager]

By: _____
Name: _____
Date: _____

SCHEDULE 4.04
PERMITTED RELATIONSHIPS

[List]

EXHIBIT B

ADMINISTRATIVE FEE

[Note: Listed below are two management fee structure options: a revenue-based fee and a flat fee. Some states, including Florida and North Carolina, have fee-splitting laws that prohibit the use of a percentage-based management fee, including the revenue-based fee formula set forth below. Other states, such as Tennessee and Georgia, allow this fee structure, but only in certain limited situations. You agree to use a revenue-based management fee structure when permitted by state and federal laws and regulations. If a revenue-based management fee is prohibited by law, You agree to implement a flat fee structure. You acknowledge that You are responsible for evaluating state law to determine whether a revenue-based management fee is permitted and assume full responsibility for compliance with any and all applicable laws and regulations.]

[Option One: Revenue-Based Fee]

For all Administrative Services rendered by Manager pursuant to this Agreement, Practice shall pay Manager an administrative fee that shall be equal to the revenues received by Practice for the Professional Services less any expenses of Practice (the “Administrative Fee”).

[Option Two: Flat Fee]

For all Administrative Services rendered by Manager pursuant to this Agreement, Practice shall pay Manager an administrative fee that shall be equal to _____ (\$__) per month (the “Administrative Fee”). In the event that in any month Practice’s revenue is insufficient to pay fully the Administrative Fee, the unpaid amount of the Administrative Fee shall accrue each month, and Practice shall be obligated to pay such amount until fully paid in accordance with Article VIII.

In addition to the Administrative Fee, Manager shall also be entitled to reimbursement of all costs set forth herein that are to be borne by Practice but for which Manager has paid such costs either by way of an advance or as a convenience for Practice. Manager shall invoice Practice for the Administrative Fee along with any reimbursement of expenses within fifteen (15) days after the end of each month. Manager’s Administrative Fee shall be payable on or before the 15th day of Practice receiving the invoice from the Manager.

EXHIBIT C

BUSINESS ASSOCIATE AGREEMENT

This Business Associate Agreement (“Agreement”) is made and effective _____ (“Effective Date”) by and between [**Practice**] (the “Covered Entity”) and [**Manager**] (the “Business Associate”) (collectively the “Parties”).

RECITALS

A. Pursuant to Sections 261 through 264 of the federal Health Insurance Portability and Accountability Act of 1996, Public Law 104-191, (“HIPAA”), the Department of Health and Human Services (“HHS”) has issued regulations at 45 C.F.R. Parts 160 and 164 (the HIPAA Security Rule, HIPAA Privacy Rule, the HIPAA Enforcement Rule and the HIPAA Breach Notification Rule, referred to collectively herein as the “Regulations”) to protect the security, confidentiality and integrity of health information.

B. The Parties have entered into an engagement whereby Business Associate will provide certain services to Covered Entity (the “Engagement”), and, pursuant to such Engagement, Business Associate may be considered a “business associate” of Covered Entity as defined in the Regulations.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree to the provisions of this Agreement in order to comply with the Regulations.

I. Definitions and Term

The following terms are defined as set forth below. Any terms used but not otherwise defined in this Agreement have the definitions set forth in the Regulations and the Health Information Technology for Economic and Clinical Health Act (“HITECH”), found in Title XIII of the American Recovery and Reinvestment Act of 2009, Public Law 111-005, and any regulations promulgated thereunder.

- a. “Breach” shall have the meaning set forth in 45 C.F.R. § 164.402.
- b. “Designated Record Set” shall have the meaning set forth in 45 C.F.R. § 164.501 and shall include, but not be limited to, medical records and billing records about Individuals.
- c. “Electronic Protected Health Information” or “EPHI” shall have the same meaning as the term “electronic protected health information” in 45 C.F.R. § 160.103.
- d. “Individual” shall have the same meaning as the term “individual” in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).

- e. “Protected Health Information” or “PHI” means, subject to the definition provided at 45 C.F.R. § 160.103, individually identifiable health information that Business Associate receives from Covered Entity or creates, receives, transmits or maintains on behalf of Covered Entity for purposes of performing the services under the Engagement. Unless otherwise stated in this Agreement, any provision, restriction or obligation in this Agreement related to the use of PHI shall apply equally to EPHI.
- f. “Required by Law” shall have the same meaning as the term “required by law” in 45 C.F.R. § 164.103.
- g. “Secretary” shall mean the Secretary of the Department of Health and Human Services or their designee.
- h. “Security Incident” means the attempted or successful unauthorized access, use, disclosure, modification or destruction of information or interference with the system operations in an information system.
- i. “Subcontractor” means a person to whom a business associate delegates a function, activity or service, other than in the capacity of a member of the workforce of such business associate.
- j. “Unsecured PHI” shall have the same meaning as the term “Unsecured PHI” in 45 C.F.R. § 164.402.

Business Associate acknowledges and agrees that all PHI that is created or received by Covered Entity and disclosed or made available in any form by Covered Entity to Business Associate, or is created, received, maintained or transmitted by Business Associate on Covered Entity’s behalf, will be subject to this Agreement. This Agreement will commence upon the Effective Date and will continue as long as Business Associate has use, custody or access to PHI subject to this Agreement, and thereafter for the period required by the Regulations.

II. Obligations and Activities of Business Associate

- a. Use and Disclosure. Business Associate will not use or further disclose PHI other than as permitted or required by this Agreement or as Required by Law. Business Associate will not use or disclose PHI in a manner that would violate the Regulations if done by Covered Entity.
- b. HIPAA Security Rule. Business Associate will develop, implement, maintain and use appropriate safeguards, and comply with the Security Rule at Subpart C of 45 C.F.R. Part 164, with respect to EPHI, to prevent use or disclosure of the PHI other than as provided for by this Agreement.
- c. HIPAA Privacy Rule. Business Associate will comply with all requirements of the Privacy Rule at Subpart E of 45 C.F.R. Part 164 that apply to business associates.

- d. Mitigation. Business Associate will mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate in violation of the requirements of this Agreement.
- e. Subcontractors. In accordance with the requirements of the Regulations, Business Associate will ensure that any Subcontractor that creates, receives, maintains or transmits PHI on behalf of Business Associate agrees in writing to the same restrictions that apply to Business Associate with respect to that PHI.
- f. Reports of Impermissible Use or Disclosure of PHI; Security Incident. Business Associate will report to Covered Entity any use or disclosure of PHI not provided for or permitted by this Agreement of which it becomes aware, or any Security Incident of EPHI of which it becomes aware, within five (5) days of the date on which Business Associate first discovers the use, disclosure or Security Incident. In addition to its other obligations under this Agreement, Business Associate will take prompt action to correct any Security Incident or use or disclosure of PHI not permitted under this Agreement and any action pertaining to such Security Incident or unauthorized use or disclosure as required by applicable federal or state laws and regulations. Notwithstanding the foregoing, the Parties acknowledge and agree that Business Associate need not report all attempted but unsuccessful Security Incidents to Covered Entity, and that this Agreement constitutes notice to Covered Entity that such unsuccessful Security Incidents occur periodically. Unsuccessful Security Incidents include, but are not limited to, pings and other broadcast attacks on Business Associate's firewall, port scans, unsuccessful log-on attempts, denials of service, and any combination of the above, so long as such incidents do not result in actual unauthorized access, use, or disclosure of PHI.
- g. Breaches of Unsecured PHI. Business Associate will report to Covered Entity any Breach of Unsecured PHI by Business Associate or any of its officers, directors, employees, Subcontractors or agents. All notifications of Breach of Unsecured PHI will be made by Business Associate to Covered Entity without unreasonable delay and in no event later than five (5) days of discovery. Business Associate will use the standard at 45 C.F.R. § 164.410(a) to determine when the Breach is treated as discovered. All notifications will comply with Business Associate's obligations under, and include the information specified in, 45 C.F.R. § 164.410 and include any other available information that Covered Entity is required to include in its notification to individuals pursuant to 45 C.F.R. § 164.404(c). In the event of a Breach by Business Associate, Business Associate will cooperate with Covered Entity to notify, (i) individuals whose Unsecured PHI has been, or is reasonably believed by Business Associate to have been, accessed, acquired, used or disclosed, and (ii) the media, as required pursuant to 45 C.F.R. § 164.406, if the legal requirements for media notification are triggered by the circumstances of such Breach.
- h. Access. In the event an Individual requests access to PHI in a Designated Record Set from Business Associate, Business Associate will provide Covered Entity with notice of the same within five (5) days. Business Associate will provide access, within ten (10) days of a request of Covered Entity and in the manner designated by Covered

Entity, to PHI in a Designated Record Set to Covered Entity, or, as directed by Covered Entity, to an Individual or the Individual's designee in order to meet the requirements under 45 C.F.R. § 164.524 (Access). If the PHI that is the subject of a request is maintained by the Business Associate in a Designated Record Set electronically, Business Associate will provide an electronic copy of such information to the Covered Entity, or, as directed by the Covered Entity, to the Individual or the Individual's designee, in the format required by the Regulations and as directed by Covered Entity, in order to meet the Covered Entity's obligations under 45 C.F.R. § 164.524.

- i. Amendment. In the event Business Associate receives a request from an Individual for an amendment to PHI in a Designated Record Set, Business Associate will provide Covered Entity with notice of the same within five (5) days. Business Associate will make any amendments to PHI in a Designated Record Set that Covered Entity directs or agrees to pursuant to 45 C.F.R. § 164.526 (Amendment) within ten (10) days of a request of Covered Entity or an Individual and in the manner designated by Covered Entity, in order to meet the Covered Entity's obligations under 45 C.F.R. § 164.526. Business Associate will incorporate any amendments to PHI it receives from Covered Entity and will notify Covered Entity of any amended PHI that it receives from third parties relating to Covered Entity's PHI.
- j. Accounting of Disclosures. Business Associate will document such disclosures of PHI and information related to such disclosures as would be required for Covered Entity to fulfill its obligations under the Regulations, including, but not limited to, responding to a request by an Individual for an accounting of disclosures in accordance with 45 C.F.R. § 164.528, and will provide such information to Covered Entity or an Individual, in the time and manner designated by Covered Entity. Except in the case of a direct request from an Individual for an accounting related to treatment, payment or healthcare operations disclosures through an electronic health record, if the request for an accounting is delivered directly to Business Associate or its agents or subcontractors, Business Associate will, within five (5) days of a request, notify Covered Entity of the request. Covered Entity will either inform Business Associate to provide such information directly to the Individual, or it will request the information to be immediately forwarded to Covered Entity for compilation and distribution to such Individual, and Business Associate will provide such information in its possession within ten (10) days of Covered Entity's request. In the case of a direct request for an accounting from an Individual related to treatment, payment or healthcare operations disclosures through electronic health records, Business Associate will provide such accounting to the Individual in accordance with Section 13405(c) of HITECH and such regulations as are adopted thereunder. Covered Entity and Business Associate agree that the provisions of this section related to accounting of disclosures for treatment, payment and healthcare operations purposes from an electronic health record will only be effective as of such date such accountings of disclosures are required under HITECH. Business Associate and any agent or Subcontractors will maintain the information required for purposes of complying with this section for such period of time as is required under the Regulations and HITECH.

- k. Covered Entity's Obligations Under Privacy Rule. To the extent that Business Associate is to carry out one or more of Covered Entity's obligations under Subpart E of 45 C.F.R. Part 164, Business Associate will comply with the requirements of Subpart E that apply to Covered Entity in the performance of such obligations.
- l. Records. Business Associate will make its internal practices, books, and records relating to the use and disclosure of PHI available to the Covered Entity or to the Secretary for purposes of determining Covered Entity's compliance with the Regulations. Business Associate will notify Covered Entity regarding any PHI that Business Associate provides to the Secretary concurrently with providing such PHI to the Secretary, and upon request by Covered Entity, will provide Covered Entity with a duplicate copy of such PHI.
- m. Inspections; Audits. Within five (5) days of a written request by Covered Entity, Business Associate will allow Covered Entity to conduct a reasonable inspection of the books and records relating to the use or disclosure of PHI pursuant to this Agreement for the purpose of determining whether Business Associate has complied with this Agreement and the requirements of the Regulations; provided, however, that Covered Entity will protect the confidentiality of all proprietary information of Business Associate to which Covered Entity has access during the course of such inspection and Business Associate and Covered Entity will mutually agree in advance upon the scope, location and timing of such an inspection. The costs of the audit will be covered by Covered Entity in the event the audit determines that Business Associate is in compliance with this Agreement and the Regulations and covered by Business Associate in the event the audit determines that Business Associate has violated this Agreement or the Regulations. Covered Entity is permitted to engage in the inspections and audits set forth in this Section no more often than one time during each calendar year during which this Agreement is in effect.
- n. Minimum Necessary. Business Associate and its Subcontractors, if any, will only request, use and disclose the minimum amount of PHI necessary to accomplish the intended purpose of the request, use or disclosure. Business Associates agrees, and it will ensure that its Subcontractors agree, to comply with Section 13405(b) of HITECH, any regulations issued thereunder or any guidance from the Secretary regarding what constitutes the definition of minimum necessary.
- o. Compliance with HITECH. Business Associate will comply with all requirements of Title XIII, Subtitle D of HITECH which are applicable to business associates, and will comply with all regulations issued by the Secretary to implement these referenced statutes, as of the date by which business associates are required to comply with such referenced statutes and regulations.

III. Permitted Uses and Disclosures by Business Associate

- a. Required by Law. Business Associate may use or disclose PHI as Required by Law.

- b. To Carry Out Engagement. Except as otherwise limited in this Agreement, for purposes of the services provided as part of the Engagement, Business Associate may use or disclose PHI solely to perform functions, activities, or services for, or on behalf of, Covered Entity, provided that such use or disclosure would not violate the Regulations if done by Covered Entity.
- c. Management and Administration. Except as otherwise limited in this Agreement, Business Associate may use PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, as provided in 45 C.F.R. § 164.504(e)(4). In addition, Business Associate may disclose PHI for the proper management and administration of Business Associate or to carry out the legal responsibilities of Business Associate, provided that such disclosures are Required by Law or Business Associate obtains, prior to the disclosure, reasonable assurances from the person to whom it is disclosed that such PHI will be held secure and confidential as provided pursuant to this Agreement and only disclosed as Required by Law or for the purposes for which it was disclosed to the third party, and that any breaches of confidentiality of the PHI which becomes known to such third party will be immediately reported to Business Associate.
- d. Data Aggregation. Business Associate may use PHI to provide data aggregation services related to the health care operations of the Covered Entity as permitted by 45 C.F.R. § 164.504(e)(2)(i)(B).
- e. De-Identification. Business Associate may use PHI to create information that is de-identified. Any such de-identification by Business Associate will be done in compliance with 45 C.F.R. § 164.514(b). Covered Entity agrees that de-identified information may be used and disclosed on Business Associate's own behalf. Covered Entity agrees that any de-identified information is and will remain the sole property of Business Associate and, due to the regulatory treatment of de-identified information, is no longer PHI and not subject to this Agreement or the Regulations.

IV. Provisions for Covered Entity to Inform Business Associate of Privacy Practices and Restrictions

- a. Notice of Privacy Practices. Covered Entity will provide Business Associate, upon request, with Covered Entity's Notice of Privacy Practices in effect at the time of the request.
- b. Revocation of Permission. Covered Entity will provide Business Associate with any changes in or revocation of permission by an Individual to use or disclose PHI to the extent such changes may affect Business Associate's permitted or required uses and disclosures.
- c. Restrictions on Use and Disclosure. Covered Entity will notify Business Associate of any material restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent such restrictions may affect Business Associate's use and disclosure of PHI.

V. Obligations of the Covered Entity

Covered Entity will not request Business Associate to use or disclose PHI in any manner that would not be permissible under the Regulations if done by Covered Entity.

VI. Termination

- a. Termination for Cause by Covered Entity. Notwithstanding any contrary termination provision of any other agreement between the Parties, Covered Entity is authorized to terminate this Agreement and the Engagement as described in this Section if Covered Entity determines that Business Associate has violated a material term of this Agreement. Upon Covered Entity's knowledge of a material breach of this Agreement by Business Associate, Covered Entity will provide written notice of such breach to Business Associate and provide an opportunity for Business Associate to cure the breach or end the violation. If Business Associate does not cure the breach or end the violation within the time specified by the Covered Entity, then Covered Entity may immediately terminate this Agreement; or Covered Entity may immediately terminate this Agreement if Business Associate has breached a material term of this Agreement and Covered Entity determines that cure is not possible.
- b. Effect of Termination.
 1. Except as provided in paragraph 2 of this section, upon termination of the Engagement, Business Associate will return or destroy all PHI received from Covered Entity or created, received, maintained or transmitted by Business Associate on behalf of Covered Entity. This provision will apply to PHI that is in the possession of subcontractors or agents of Business Associate. Business Associate will retain no copies of PHI.
 2. In the event that Business Associate determines that returning or destroying the PHI is infeasible, Business Associate will provide to Covered Entity notification of the conditions that make return or destruction infeasible. Upon mutual agreement of the Parties that return or destruction of PHI is infeasible, Business Associate will extend the protections of this Agreement to such PHI and limit further uses and disclosures of such PHI to those purposes that make the return or destruction infeasible for so long as Business Associate maintains such PHI.

VII. Indemnification

Each Party (the "Indemnifying Party") shall defend, hold harmless and indemnify the other Party (the "Indemnified Party") against any and all claims, liabilities, damages, judgments, costs and expenses (including reasonable attorney's fees and costs) asserted against, imposed upon or incurred by the Indemnified Party that arises out of, or in connection with, the Indemnifying Party's default under or failure to perform any contractual or other obligation, commitment or undertaking under this Agreement, or the negligence of the Indemnifying Party or its employees, agents, or representatives in the discharge of its or their responsibilities, or any other act or omission of the Indemnifying Party or its employees, agents or representatives. This provision

will survive termination of the Agreement with respect to any claim, action, or proceeding by a third party that relates to acts or omissions occurring during the term of this Agreement.

VIII. Miscellaneous

- a. Survival. The respective rights and obligations of Business Associate and Covered Entity under Sections II, VI, VII, and VIII of this Agreement shall survive the termination of this Agreement.
- b. Notification. Except as otherwise agreed to in this Agreement, any notice required or permitted under this Agreement will be given in writing and delivered personally or sent by certified mail, return receipt requested, or by reputable overnight delivery service, such as Federal Express, to the following addresses:

If to Covered Entity:

[Address]

Attention: _____

If to Business Associate:

[Address]

Attention: _____

With a copy to:

dermani MEDSPA® Franchising LLC
9100 Conroy Windermere Road
Suite 200
Windermere, Florida 34786
Attention: Harvey Hillyer

Such addresses may be changed by either Party by written advice as to the new address given as above provided.

- c. Interpretation. Any ambiguity in this Agreement will be resolved in favor of a meaning that permits Covered Entity and Business Associate to comply with HIPAA, the Regulations, and HITECH. In the event of any inconsistency between the provisions of this Agreement, the Engagement and the Regulations, the Regulations will control.
- d. Third Party Beneficiary. dermani MEDSPA Franchising LLC is an express third party beneficiary of this Agreement and may, directly or indirectly, enforce any right of Business Associate hereunder.
- e. Unenforceability. In the event that any provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable, the remainder of the provisions of this Agreement will remain in full force and effect. In addition, in the

event either Party believes in good faith that any provision of the Agreement fails to comply with the then-current requirements of HIPAA, the Regulations, and other applicable law, including but not limited to HITECH and all regulations promulgated thereunder, that Party will notify the other Party in writing. For a period of up to thirty (30) days, the Parties will address in good faith such concern and will amend the terms of this Agreement if necessary to bring it into compliance. If after such thirty (30) day period either Party in good faith believes that this Agreement fails to comply with HIPAA, the Regulations, and other applicable law, including but not limited to HITECH and all regulations promulgated thereunder, then that Party has the right to terminate this Agreement upon written notice to the other Party.

- f. Independent Contractors. Business Associate is not the agent of Covered Entity and Covered Entity does not control, supervise or instruct Business Associates or any Subcontractors. The Parties are independent contractors and nothing in this Agreement will be deemed to make them partners or joint venturers or make Business Associate an agent of Covered Entity.
- g. Entire Agreement. This Agreement is the entire agreement of the Parties related to its subject matter and supersedes all prior agreements between the Parties that were designated or qualified as business associate agreements and replaces all previous drafts, understandings and communications.

IN WITNESS WHEREOF, the Parties have executed this Agreement to be effective as of the Effective Date.

COVERED ENTITY:
[Practice]

BUSINESS ASSOCIATE:
[Manager]

By: _____
Its: _____

By: _____
Its: _____

EXHIBIT B
AREA DEVELOPMENT AGREEMENT



DERMANI MEDSPA® FRANCHISING LLC

AREA DEVELOPMENT AGREEMENT

DEVELOPER

DEVELOPMENT AREA

DATE OF AGREEMENT

TABLE OF CONTENTS

PREAMBLES AND BACKGROUND	1
DEFINITIONS.....	2
1. GRANT OF DEVELOPMENT RIGHTS; TERRITORY.....	3
2. DEVELOPMENT FEE	4
3. DEVELOPMENT OBLIGATIONS	5
4. TERM	5
5. DUTIES OF THE PARTIES	5
6. TRAINING	6
7. TRANSFERS	7
8. TERMINATION	11
9. COVENANTS AND RESTRICTIONS ON COMPETITION	12
10. RELATIONSHIP OF THE PARTIES	13
11. COMPLIANCE WITH LAWS	14
12. ENFORCEMENT	15
13. NOTICES.....	19
14. ACKNOWLEDGEMENTS	19

Exhibits:

Exhibit A	Development Area and Development Schedule
Exhibit B	Guaranty and Assumption of Obligations
Exhibit C	List of Owners and Ownership Interests
Exhibit D	Franchise Agreement
Exhibit E	Confidentiality and Non-Competition Agreement

DERMANI MEDSPA® FRANCHISING LLC
AREA DEVELOPMENT AGREEMENT

THIS AREA DEVELOPMENT AGREEMENT (the “**Agreement**”) is made and entered into on _____, 20__ (“**Effective Date**”) by and between: (i) dermani MEDSPA Franchising LLC, a Florida limited liability company located at 9100 Conroy Windermere Road, Suite 200 Windermere, Florida 34786 (“**Franchisor**,” “we,” “us” and “**our**”); and (ii) _____, a _____ [resident] [corporation] [limited liability company] whose principal place of business is _____ (“**Developer**,” “**you**” and “**your**”).

PREAMBLES AND BACKGROUND

A. We and our affiliate, as a result of the expenditure of time, skill, and effort, have developed (and continue to develop and modify) a medical spa management system (“**System**”) relating to the management of medical centers that provide, through independent physicians and professionally licensed persons or entities, medical spa and cosmetic services related to skin, cosmetic injectables and laser hair removal treatments, all of which are provided by a physician, or medical personnel supervised by a physician.

B. The medical spa centers in the System (each, a “**dermani MEDSPA®**”) operate under the “dermani MEDSPA®” name and Marks and will be managed according to the System. The business that will manage a dermani MEDSPA® under the System is referred to in this Agreement as the “**Franchised Business**.” The System has characteristics that currently include providing site selection assistance, construction design, preferred vendor relationships for medical equipment and supplies, procedures for monitoring operations and quality of services offered; procedures for management; training and assistance; advertising and promotional programs; business formats, methods, procedures, standards, and specifications, all of which we may change, improve, and further develop.

C. We use, promote, and license certain trademarks, service marks, and other commercial symbols including the mark “**dermani MEDSPA®**” in operating and managing dermani MEDSPA®s, which have gained and will continue to gain public acceptance and goodwill, and we may create, use, and license other trademarks, service marks, and commercial symbols for dermani MEDSPA®s.

D. We grant to persons who meet our qualifications, and are willing to undertake the investment and effort, a franchise to own and operate a Franchised Business using our System and Marks that will manage a dermani MEDSPA®.

E. You wish to obtain certain rights to develop multiple dermani MEDSPA®s; and you and us wish to enter into this Agreement in order to reflect the understandings and agreements that we have reached with respect to the foregoing points and the other matters that are addressed herein.

DEFINITIONS

“Claims” – all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party incurs in defending itself, including reasonable accountants’, attorneys’, and expert witness fees, costs of investigation, proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, whether or not it has commenced.

“Competitive Business” – any dermani MEDSPA® or medical care center, or a business that offers or provides laser hair removal, skin rejuvenation, chemical peels, body contouring/skin tightening, microneedling, dermaplaning, and injections for a medical center, medical care practice management business, or any other product or service or management service that is similar to the services and products authorized to be offered, sold or provided under the Marks and the System, or any business granting franchises or licenses to others to operate the type of business specified in this Agreement.

“Confidential Information” – our trade secrets, Manual, System, and other information that you are given access to by virtue of this Agreement or otherwise that is not a matter of public knowledge.

“Disability” – a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent you or the Operating Principal from supervising the Franchised Business’s management and operating.

“Entity” – a corporation, limited liability company, general or limited partnership, or legally recognized form of organized business structure.

“Franchised Business” – the business that will manage the dermani MEDSPA® which includes all of the assets of the Franchised Business you operate under a Franchise Agreement, including your revenue and any lease for the Premises.

“Indemnified Parties” – us, our affiliates, and our and their respective members, shareholders, directors, officers, employees, agents, successors, assignees and designees.

“Manual” – the confidential operations manual that we loan to you to assist you in setting up and establishing the operations of your Franchised Business.

“Marks” – the “dermani MEDSPA®” word mark and logo, and any other trademarks, service marks, and commercial symbols we may create, use or license for the dermani MEDSPA®s.

“dermani MEDSPA®(s)” – dermani MEDSPA® medical care centers that provide patients with the products and services that we specify and/or authorize.

“Operating Principal” – the person, shareholder, member, or partner that you designate to be responsible for overseeing and supervising the operation of the Franchised Business. The Operating Principal is identified on Exhibit C to this Agreement.

“Owner” – any person holding a direct or indirect ownership interest (whether of record, beneficially, or otherwise) or voting rights in you, this Agreement, or the Franchised Business, and any person who has any other legal or equitable interest, or the power to vest in himself or herself any legal or equitable interest, in their revenue, profits, rights or assets. The Owner(s) are identified on Exhibit C.

“Person” – any natural person, corporation, limited liability company, general or limited partnership, unincorporated association, cooperative, or other legal or functional entity.

“Premises” – the location that we approve for the dermani MEDSPA®.

“System Standards” – the mandatory and suggested specifications, standards, operating procedures and rules that we prescribe for the management and operation of the Franchised Business and dermani MEDSPA®.

The definitions provided above are in addition to other defined terms set forth in this Agreement.

1. **GRANT OF DEVELOPMENT RIGHTS; TERRITORY**

1.1. **Grant of Development Rights.** Pursuant to the terms and conditions of this Agreement, we hereby grant to you the right, and you accept the obligation, to develop a specified number of Franchised Businesses in the Development Area, as set forth Exhibit A attached hereto. In this regard, you further agree:

1.1.1. To develop the Franchised Businesses and dermani MEDSPA®s pursuant to the development schedule set forth in Paragraph 3 of Exhibit A attached hereto (the “Development Schedule”). If at any time during the term of this Agreement you fail to satisfy the Development Schedule, then we have the right, but not the obligation, to exercise our termination rights and other rights pursuant to Section 8 below;

1.1.2. that each dermani MEDSPA® developed under this Agreement must be established and managed by a Franchised Business pursuant to a separate dermani MEDSPA® Franchise Agreement (a “**Franchise Agreement**”) that must be executed as provided in Section 3.1 below; and

1.1.3. that each Franchised Businesses and dermani MEDSPA® developed under this Agreement must be located within the area that is specified in Paragraph 2 of Exhibit A, attached hereto (the “**Development Area**”).

1.2. **No Protections to Development Area.** Your rights within the Development Area are non-exclusive, and we may award the same Development Area to multiple area developers. However, we will not sell the right to develop more dermani MEDSPA®s than the total number of available territories available in the Development Area.

1.3. **Rights we Reserve.** We retain all rights with respect to Franchised Businesses and dermani MEDSPA®s, the System, the Marks, the sale of similar or dissimilar services, and any other activities we deem appropriate whenever and wherever we desire, including, but not limited to:

1.3.1. the right to operate, and to grant others the right to operate, Franchised Businesses and similar medical management businesses or similar medspas or medical centers under different names or marks located anywhere within or outside the Development Area under any terms and conditions we deem appropriate and regardless of proximity to the Premises or the Development Area;

1.3.2. the right to establish and operate (and to grant to others the right to establish and operate) any other businesses offering products and services that are different from the products or services offered at dermani MEDSPA®s through similar or dissimilar channels of distribution (including, but not limited to: (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing; (ii) sales through retail stores that do not operate under the Marks; and (iii) sales made at wholesale), at any locations inside or outside the Development Area under trademarks or service marks other than the Marks and on any terms and conditions we deem appropriate;

1.3.3. the right to acquire the assets or ownership interests of one or more businesses that operate, and/or has granted franchises, licenses, or similar rights to one or more third parties to operate, businesses similar to and/or competing with dermani MEDSPA®s and Franchised Businesses related to dermani MEDSPA®s, and/or the right to be acquired by a competing medical business or medical management business, or by another business, even if such business operates, franchises and/or licenses competitive businesses in the Development Area, and that if we acquire, or are acquired by, such a competing business or chain, we may establish or grant franchises or licenses to establish new or additional

competing businesses under the Marks or the acquired chain's marks in your Development Area, and we may rebrand such existing businesses in your Development Area to use the Marks and the System, and it is expressly acknowledged by you and us that any such business operations of the same or similar business that existed or operated at the time of such acquisition or transaction shall not constitute a breach of Section 1.2;

1.3.4. the right to create, place, and/or distribute any advertising and promotional materials related to the System, the Marks, Franchised Businesses and dermani MEDSPA®s, and the services and products offered, and authorize others to do so, and those materials may appear in media, including, without limitation, the Internet or similar electronic media, or be received by prospective customers located anywhere, including within the Development Area; and

1.3.5. the right to operate, and to grant others the right to operate, Franchised Businesses and similar medical management businesses or similar medspas or medical centers, in non-traditional or captive locations, within or outside of the Development Area, including, without limitation, in mobile clinics or limited service temporary locations (such as at a "health fair" or at a convention).

1.4. Limitations. You shall not engage in any of the activities we have expressly reserved for and to ourselves in Sections 1.3.1 through 1.3.5 above, except as otherwise provided in this Agreement.

1.5. Operating Principal. The Operating Principal, as of the Effective Date, is identified in Exhibit C. The Operating Principal will be the person with whom we will communicate on all major policy, financial, management and operational matters, and the only person from your Entity that we will recognize as having authority to communicate for and on your behalf and on behalf of your Entity. You may not change the Operating Principal without our prior written consent, which we will not unreasonably withhold provided that the proposed new Operating Principal meets our then-current qualifications and standards and successfully completes our then-current training programs as we may require.

1.6. No Rights in Marks. This Agreement is not a franchise agreement, and does not grant you any right to use in any manner our Marks or System.

1.7. No Sublicensing. You have no right under this Agreement to license others to use in any manner the Marks or System.

2. DEVELOPMENT FEE

2.1. Development Fee. In consideration of the development rights granted herein, you must pay to us a "Development Fee." The Development Fee is equal to the initial franchise fee for the first Franchised Business in the amount of \$49,500, plus a reduced initial franchise fee equal to \$39,500 for the second and each additional Franchised Business that is scheduled to be established under the Area Development Agreement. The Development Fee is in lieu of, not in addition to, initial franchise fees owed under each respective Franchise Agreement to be executed under this Agreement.

2.2. Non-Refundability. The Development Fee will be fully earned when received by us and will be non refundable in consideration of administrative and other expenses incurred by us and for the development opportunities lost or deferred as a result of the rights granted to you herein. Even if you fail to execute all Franchise Agreements, or open all required Franchised Businesses, the Development Fee is non-refundable.

3. **DEVELOPMENT OBLIGATIONS**

3.1. **Exercise of Development Obligations; Franchise Agreements.** You must execute a Franchise Agreement for each Franchised Business to be developed hereunder. You must execute the first (1st) Franchise Agreement required under this Agreement contemporaneously with the execution of this Agreement. Notwithstanding the foregoing, we, in our sole discretion, may permit one or more of such Franchise Agreements to be executed by entities other than you; provided that (a) you own a controlling ownership interest in the franchisee entity; (b) we approve the ownership structure of, and each owner of twenty-five percent (25%) or more of the equity in, the franchisee entity; and (c) you or your Operating Principal executes a guarantee, guaranteeing to us the timely payment and performance of the franchisee's obligations under the Franchise Agreement.

3.2. **Franchise Agreements.** Each dermani MEDSPA® must be located at a site approved by us in writing, within the Development Area, as provided in the Franchise Agreement (the "Premises"). The Franchise Agreement for the first (1st) Franchised Business developed hereunder will be in the form of the Franchise Agreement attached hereto as Exhibit D, and the Franchise Agreement for each additional Franchised Business developed hereunder will be the form of Franchise Agreement being offered generally by us at the time each such Franchise Agreement is executed.

3.3. **Development Schedule.** Recognizing that time is of the essence, you agree to satisfy each deadline set forth in the Development Schedule in Exhibit A of this Agreement. Your failure to adhere to the Development Schedule will constitute a default under this Agreement as provided in Section 8.2 below. You acknowledge and agree that the time limits and time frames set forth in and inherent in the Development Schedule, and not those in the Franchise Agreement, will govern your obligations in this Agreement.

4. **TERM**

4.1. **Term.** The term of this Agreement and all rights granted hereunder will expire at the earlier of (a) the day the last dermani MEDSPA® required under the Development Schedule opens for business, or (b) on the last date specified in the Development Schedule, unless this Agreement is earlier terminated in accordance with the terms set out in this Agreement.

4.2. **No Renewal.** Upon expiration of this Agreement, there is no renewal or subsequent term, and you will not have any rights to a renewal, successor, or extended term. This Agreement may not be renewed or extended except by mutual written agreement of the parties.

5. **DUTIES OF THE PARTIES**

5.1. **Site Selection Guidelines.** If you do not already have possession of a location for your first Franchised Business and dermani Medspa® that we have accepted upon your execution of this Agreement, then within ninety (90) days after the Effective Date, you shall locate a site for the first Franchised Business and dermani Medspa® that satisfies the site selection guidelines provided to you by us. Before you can open any dermani MEDSPA®, you must satisfy all of our pre-opening requirements, whether they are set out in this Agreement, the Manuals, the Franchise Agreement, or as we may otherwise specify, and you must obtain our written approval prior to opening a dermani MEDSPA®.

5.2. **Site Approval.** For each Franchised Business to be developed under the Area Development Agreement, we reserve the right to require that you submit to us, in the form that we specify, site approval forms and data that we specify, which may include a copy of a site plan, financial

information and any other materials that we may require, together with an option contract, a letter of intent, term sheet, or other evidence satisfactory to us which describes your favorable prospects for obtaining the site, and any other information and materials that we may reasonably require. In addition, we reserve the right to require you to utilize a real estate broker that we designate, approve, or recommend to assist you in locating sites and/or negotiating lease terms for the dermani MEDSPA®(s). You acknowledge and agree that our approval of a location for a dermani MEDSPA® is not a warranty or guaranty, express or implied, that you will achieve any particular level of success at the location or that your Franchised Business or the dermani MEDSPA® will be profitable. Our acceptance of a location for the dermani MEDSPA® only signifies that the location meets our then-current minimum criteria for a dermani MEDSPA®. You further acknowledge and agree that your acceptance of a franchise for the management of a dermani MEDSPA® at a site is based on your own independent investigation of the suitability of the site. For each dermani MEDSPA® to be developed hereunder, you shall execute a lease/sublease that complies with the Franchise Agreement.

5.3. **Premise Development and Preparation.** We will give you mandatory and/or suggested specifications and layouts for your Premises, including color schemes, specific furniture, medical equipment, as well as a planogram for a typical dermani MEDSPA® layout, recommended office size and design, and required or recommended Operating Assets. From time to time, we may develop and provide additional materials (such as templates for contract bids, and sample development checklists) regarding the construction and preparation of a dermani MEDSPA®; to the extent we develop these items, we will make them available to you as part of our Manual or otherwise communicate them to you in writing or through electronic or other formats. We reserve the right to provide guidance to assist you in working with designated contractors and suppliers to complete the development and build out of the dermani MEDSPA® you will manage. You must engage the services of a designer or architect to develop plans for the build-out of your dermani MEDSPA® that are specific to the Premises. You must, at your own expense, prepare the sites and complete all construction, furnishing, remodeling, decorating, and equipping of your dermani MEDSPA® as required by this Agreement and each Franchise Agreement.

5.4. **Governing Documents.** If you are a corporation, partnership, LLC, or LLP, or transfer this Agreement to a corporation, partnership, LLC, or LLP, then, upon our request, you must provide to us a list of holders of direct or indirect equity interests and their percentage interests, as well as copies of your governing documents and any other corporate documents, books, or records. The Owners may not enter into any shareholders' agreement, management agreement, voting trust or other arrangement that gives a third party the power to direct and control your affairs without our prior written consent. Throughout the Term of this Agreement, your governing documents (and those of your ultimate parent) must provide that no transfer of any ownership interest may be made except in accordance with Section 7 of this Agreement and Section 12 of the Franchise Agreement. Any securities that you issue must bear a conspicuous printed legend to that effect.

6. **TRAINING**

6.1. **Training.** You acknowledge that your owners and managers must be knowledgeable regarding the operation and management of dermani MEDSPA®s. You acknowledge that successful completion of our training programs is critical to properly develop, own, and operate a Franchise Businesses and manage dermani MEDSPA®s. Prior to the opening of the first (1st) dermani MEDSPA®, your Operating Principal and one (1) full-time manager of your operations must attend and successfully complete (to our satisfaction) our initial training program and all other training programs as required under the Franchise Agreement.

7. TRANSFERS

7.1. Transfer By Us.

7.1.1. We shall have the right to assign this Agreement and all of our attendant rights and privileges to any person, firm, corporation, or other entity, without prior notice to you, and without your consent or approval.

7.1.2. You expressly affirm and agree that we may sell our assets, our rights to the Marks or to the System outright to a third party; may sell, assign, or transfer any or all of the equity interests in us; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring, without prior notice to you, and we do not need your consent or approval to do so. Further, with regard to any or all of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of said Marks (or any variation thereof) and/or the loss of association with or identification of “dermani MEDSPA® Franchising LLC” as Franchisor. Nothing contained in this Agreement shall require us to remain in the same business or to offer the same products and services, whether or not bearing the Marks, in the event that we exercise our right to assign our rights in this Agreement.

7.2. Transfer By You.

7.2.1. You understand and acknowledge that the rights and duties this Agreement creates are personal to you and that we have granted you the right to develop Franchised Businesses and manage dermani MEDSPA®s in reliance upon our perceptions of your individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred without our prior written approval: (i) this Agreement or any interest in this Agreement; (ii) any Franchise Agreement signed by you, your Owner(s), or any of your affiliates pursuant to this Agreement; (iii) any Franchised Business or any right to receive all or a portion of any Franchised Business’s or dermani MEDSPA®’s profits or losses or capital appreciation; (iv) your lease(s), mortgage(s), or other agreement where each Franchised Business or dermani MEDSPA® is or will be located; (v) substantially all of the assets of the Franchised Business and dermani MEDSPA®; (vi) any ownership interest in you (regardless of its size); or (vii) any ownership interest in any of your owners. A transfer of the Franchised Business’s ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement.

7.2.2. In this Agreement, the term “transfer” includes a voluntary or involuntary, direct or indirect, assignment, sale, gift, or other disposition. An assignment, sale, gift, or other disposition includes the following events:

- a) transfer of ownership of capital stock, a partnership or membership interest, or another form of ownership interest;
- b) merger or consolidation or issuance of additional securities or other forms of ownership interest;
- c) any sale of a security convertible to an ownership interest;
- d) transfer of an interest in you, this Agreement, any Franchise Agreement(s), the Franchised Business(es), or substantially all of your assets, or your owners in a divorce, insolvency, or entity dissolution proceeding or otherwise by operation of law; or

- e) if you or one of your owners dies, a transfer of an interest in you, this Agreement, the Franchised Business or substantially all of your assets, or your owner by will, declaration of or transfer in trust, or under the laws of intestate succession.

7.3. Conditions for Approval of Transfer. You must submit a written request to us for any proposed transfer under this Agreement. If you are in full compliance with this Agreement, then we will not unreasonably withhold our consent to a transfer that meets all of the requirements in this Section 7. For any proposed transfer, all of the following conditions must be met before or concurrently with the effective date of the transfer:

7.3.1. The transferor shall have executed a general release (which shall include a release from the transferor, you, and the current and former owners, Principals and guarantors of you), in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective directors, officers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, without limitation, claims arising under this Agreement, any other agreement between you and us or our affiliates, and federal, state, and local laws and rules.

7.3.2. The transfer shall be accompanied by a transfer of all franchise agreements with us and rights to all Franchised Business(es) managed thereunder and owned by you to the same transferee.

7.3.3. The transferee of an Owner shall be designated as an Owner and each transferee who is designated an Owner shall enter into a written agreement, in a form satisfactory to us, agreeing to be bound as an Owner under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Owner shall guarantee the performance of all such obligations in writing in a form satisfactory to us.

7.3.4. Prior to, and after the transfer, your Owners shall meet our educational, managerial, and business standards; each shall possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate your business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the business.

7.3.5. If a proposed transfer would result in a change in control of you, at our option, the transferee or the new developer controlled by the transferee shall execute, for a term ending on the expiration date of this Agreement the form of area development agreement then being offered to new System developers, and such other ancillary agreements required by us for the business contemplated hereunder, which agreements shall supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement.

7.3.6. The transferor shall remain liable for all of the obligations to us in connection with this Agreement that arose prior to the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and shall execute any and all instruments reasonably requested by us to evidence such liability.

7.3.7. The transferee shall have the same training obligations as set forth for you in Section 6.

7.3.8. If a proposed transfer would result in a change in control of you, your business, or any of your assets, including any dermani MEDSPA® franchises owned, operated, managed, or controlled by you, you shall pay a non-refundable transfer fee ("Transfer Fee")

of ten thousand dollars (\$10,000), which amount shall be in addition to any transfer fees paid under any Franchise Agreement subject to this Development Agreement. One-half (½) of the Transfer Fee shall be paid at the time you submit your request to us for consideration of the proposed transfer, and such amount shall be non-refundable. The balance of the Transfer Fee shall be paid at the time the transfer is consummated or closes. If the transfer is not consummated after we have provided our approval for the proposed transfer, then we have the right to require that you or the proposed transferee reimburse us for the out-of-pocket expenses (including attorneys' fees) that we incurred in connection with the proposed transfer.

7.3.9. The transferor must acknowledge and agree that the transferor shall remain bound by the covenants contained in Section 8.2 and Section 8.3 of this Agreement.

7.3.10. We may expand upon, and provide more details related to, the conditions for transfer and our consent as described in this Section 7.3, and may do so in the Manuals or otherwise in writing. We may, but are not obligated to, provide the additional details regarding the transfer conditions and our consent to you.

7.4. Transfer to a Wholly Owned Entity.

7.4.1. In the event you are comprised of one (1) or more individuals and you desire to transfer your interests herein to an Entity formed by you solely for the convenience of ownership, you must submit a written request and obtain our prior written consent of such transfer, which consent shall be granted if:

- a) You shall be the owner of all the voting stock of the corporation or all of the membership interests, as applicable, or, if you comprise more than one (1) individual, each such individual shall have the same proportionate ownership interest in the Entity as it held in Franchised Business prior to the contemplated transfer;
- b) Appropriate forms of corporate resolutions, minutes and/or consents, which have been duly adopted, are furnished to us prior to the transfer; and
- c) You execute any documents we require to evidence such transfer.

7.5. Transfer Upon Death or Disability. Upon the death or Disability of an Owner, the deceased's executor, administrator, or other personal representative shall promptly notify us of such death or Disability, and transfer the deceased's or disabled person's interest to a third party approved by us. That transfer must be completed within a reasonable time, not to exceed twelve (12) months from the date of death or Disability and is subject to all of the terms and conditions in this Section 7.

7.6. Operation of Franchised Business Upon Death or Disability. Upon your or the Operating Principal's death or Disability, your, or the Operating Principal's, executor, administrator, conservator, guardian, or other personal representative must within a reasonable time, not to exceed thirty (30) days from the date of death or Disability, appoint a manager to assume your or the Operating Principal's obligations under this Agreement. The manager, at your estate's expense, must complete our standard training program. A new Operating Principal acceptable to us also must be appointed for the Franchised Business, and that new Operating Principal must complete our standard training program within ninety (90) days after the date of death or Disability.

7.7. Right of First Refusal.

7.7.1. We have the right, exercisable within thirty (30) calendar days after receipt of the notice specified in Section 7.3, to send written notice to you that we intend to purchase the interest proposed to be transferred, if such interest is all or a controlling interest in you, any material assets of you, any direct or indirect interest in this Agreement, or any direct or indirect interest in you. We may assign our right of first refusal to someone else either before or after we exercise it; however, our right of first refusal will not apply with regard to a Transfer under Section 7.4 or a transfer to your parents, spouse, son, daughter, or mother or father in-law as a result of death or incapacity as described in Section 7.5.

7.7.2. If the Transfer is proposed to be made pursuant to a sale, we or our designee may purchase the interest proposed to be Transferred on the same economic terms and conditions offered by the third party. Closing on our purchase must occur by the later of (a) ninety (90) calendar days after the date of our notice to the seller electing to purchase the interest, or (b) the closing date as proposed in the third party's purchase offer. If we cannot reasonably be expected to furnish the same consideration as the third party, then we may substitute the reasonable equivalent in cash. If the parties cannot agree within thirty (30) calendar days on the reasonable equivalent in cash, we will designate, at our expense, an independent appraiser and the appraiser's determination will be final. Any material change in the terms of the offer from a third-party after we have elected not to purchase the seller's interest will constitute a new offer subject to the same right of first refusal as the third party's initial offer.

7.7.3. If a Transfer is proposed to be made by gift, we will designate, at our expense, an independent appraiser to determine the fair market value of the interest proposed to be transferred. We may purchase the interest at the fair market value determined by the appraiser. Closing on the purchase will occur within thirty (30) calendar days after our notice to the transferor of the appraiser's determination of fair market value.

7.7.4. If we elect not to exercise our rights under this Section, the transferor may complete the Transfer after complying with Section 7.3 above. Closing of the Transfer must occur within sixty (60) calendar days of our election not to exercise our rights (or such longer period as applicable law may require); otherwise the third party's offer will be treated as a new offer subject to our right of first refusal. The Transfer is conditional upon our determination that the Transfer was on terms substantially the same as those offered to us.

7.8. Effect of Consent to Transfer. Our consent to a transfer of this Agreement, any Franchise Agreement, a Franchised Business, or any interest in you, your Owners, or any affiliate of yours, is not a representation of the fairness of the terms of any contract, a guarantee of the Franchised Business or transferee's prospects of success, or a waiver of any claims we have against you or of our right to demand the transferee's full compliance with this Agreement.

7.9. Insolvency. If you or any person holding any interest (direct or indirect) in you becomes a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations and/or rights hereunder, any material assets of you, or any indirect or direct interest in you shall be subject to all of the terms of this Section 7.

7.10. Non-Conforming Transfers. Any purported Transfer that is not in compliance with this Section 7 is null and void and constitutes a material breach of this Agreement, for which we may terminate this Agreement without opportunity to cure. Our consent to a Transfer does not constitute a waiver of any claims that we have against the transferor, nor is it a waiver of our right to demand exact compliance with the terms of this Agreement.

8. **TERMINATION**

8.1. **Automatic Termination.** You shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to you, if you become insolvent or make a general assignment for the benefit of creditors; or if a petition in bankruptcy is filed by you or such a petition is filed against and not opposed by you; or if you are adjudicated bankrupt or insolvent; or if a bill in equity or other proceeding for the appointment of a receiver of you or other custodian for your business or assets is filed and consented to by you; or if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or if proceedings for a composition with creditors under any state or federal law should be instituted by or against you; or if a final judgment remains unsatisfied or of record for thirty (30) calendar days or longer, unless appealed or a supersedeas bond is filed; or if you are dissolved.

8.2. **Compliance with Development Schedule.** You acknowledge and agree that time is of the essence, and that you have agreed to strictly comply with the Development Schedule. Upon the occurrence of any of the following events of default, we may, at our option, terminate this Agreement and all rights granted hereunder or take any of the actions described in Section 8.4 below, without affording you any opportunity to cure the default, effective immediately upon the provision of notice to you in the manner provided under Section 13 hereof:

8.2.1. If you miss a deadline set forth in the Development Schedule; or

8.2.2. If a Franchise Agreement for any Franchised Business operated by you, your Owner(s), or any entity affiliated with you is terminated.

8.3. **Termination with Opportunity to Cure.** Except as otherwise provided in Sections 8.1 and 8.2 above, any other default by you of your obligations hereunder, including those identified below, upon written notice from us, you will have thirty (30) calendar days to cure such default. If any such default is not cured within the specified time, this Agreement shall terminate without further notice to you effective immediately upon the expiration of the thirty (30) calendar day period or such longer period as applicable law may require. Notwithstanding the foregoing, in the event the default under the Franchise Agreement is not cured, or not curable as provided for in the Franchise Agreement, we may terminate this Agreement upon the expiration of the thirty (30) calendar day period, or immediately, as applicable. If any such default is not cured within the specified time, this Agreement and all rights granted hereunder will terminate without further notice to you, effective immediately upon the expiration of the thirty (30) calendar day period.

8.4. **Remedies Other Than Termination.** If we are entitled to terminate this Agreement in accordance with Sections 8.2 or 8.3 above, we have the right to undertake any one or more of the following actions instead of terminating this Agreement:

8.4.1. We may modify, or eliminate completely, the Development Area described in Section 1.1 above and Exhibit A attached hereto; and/or

8.4.2. We may reduce or modify the remaining number of Franchise Agreements that you (or a person or entity affiliated with or controlled by you) may execute and the remaining number of Franchised Businesses to be operated under or pursuant to this Agreement, including, but not limited to, reduce the number of additional Franchise Agreements and Franchised Businesses to zero (0).

If any of such rights, options, arrangements, or areas are terminated or modified, such action will be without prejudice to our right to terminate this Agreement, and we will have the right to retain all Development Fees paid by you, and/or to terminate any other rights or arrangements under this

Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

8.5. **Post-Termination Rights.** Upon termination or expiration of this Agreement, you will have no right to establish or operate a Franchised Business or manage any dermani MEDSPA® for which a Franchise Agreement has not been executed by us at the time of termination.

8.6. **Cross-Defaults.** No default under this Area Development Agreement shall constitute a default under any Franchise Agreement between the parties hereto.

9. **COVENANTS AND RESTRICTIONS ON COMPETITION**

9.1. **During the Term.** You acknowledge that this Agreement will give you access to valuable and Confidential Information regarding the System, including our business development strategy and the sales, promotional, managing, and marketing methods of dermani MEDSPA®. You agree that during the term of this Agreement, you will not, without our prior written consent, either directly or indirectly through any other person or entity:

9.1.1. develop, build, own, maintain, operate, manage, engage in, franchise, or license, or have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business, wherever located or operating (except that an equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

9.1.2. be or perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

9.1.3. divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

9.1.4. In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize our business or that of our affiliates or any of our developers or franchisees.

After Termination, Expiration, or Transfer.

9.1.5. Upon termination, transfer, or expiration of this Agreement you agree that, for two (2) years beginning on the later of (i) the effective date of termination, transfer, or expiration, or (ii) the date on which all persons restricted by this Section 9.2 begin to comply with this Section 9.2, or (iii) if litigation is necessary to enforce this Agreement, the date of entry of an order by a court of competent jurisdiction enforcing this Agreement: you and your immediate family members, for yourself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, limited liability company, or other entity, will not own, maintain, operate, engage in, manage, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, employee, consultant, representative, or agent in any Competitive Business, that is, or is intended to be, located within the Development Area, or within a five (5) mile radius of the boarder of the Development Area or any other dermani MEDSPA® operating at the time the obligations under this Section 8.2 commence, except as permitted by any franchise agreements that remain in effect between you and us. You agree that the length of time in this Section 9.2 will be tolled for any period during which you are in breach of the covenants set forth in this Section 9.2, or any other period during which we seek to enforce this Agreement.

9.1.6. Equity ownership of less than five percent (5%) of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this Section 9.

9.2. Individual Covenants. At our request, you shall require and obtain execution of covenants similar to those set forth in Sections 9.1 and 9.2 (as modified to apply to an individual) from any or all of the following persons: Your Owners, officers and directors. The covenants required by this Section 9.3 shall be in conformance with the form provided in Exhibit E to this Agreement or as we otherwise set forth in the Manual or in writing.

9.3. Scope of Covenants. Developer understands and acknowledges that we have the right, in our sole discretion, to reduce the scope of any covenant set forth in Sections 9.1 and 9.2 in this Agreement, or any portion thereof, without your consent, effective immediately upon receipt by you of written notice thereof; and you agree that you shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding Section 12.14 hereof.

9.4. Enforcement. You agree that the existence of any claim you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of this Section 9. You agree to pay all costs and expenses that we reasonably incur in enforcing this Section 9, including reasonable attorneys' fees, costs, and expenses (including interest on such fees, costs, and expenses). You acknowledge that a violation of the terms of this Section 9 would result in irreparable injury to us for which no adequate remedy at law may be available. Accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 9. Such injunctive relief will be in addition to any other remedies that we may have.

9.5. Severability. If any restriction in this Section 9 is deemed unenforceable by virtue of its scope in terms of geographic area, business activity, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity. Specifically, if any part of these restrictions is found to be unreasonable in time or distance, each month of time or mile of distance may be deemed a separate unit so that the time or distance may be reduced by appropriate order of the court to that deemed reasonable.

10. RELATIONSHIP OF THE PARTIES

10.1. No Fiduciary Relationship, Independent Contractor.

10.1.1. The parties acknowledge and agree that you are an independent contractor, and this Agreement does not create a fiduciary relationship between you and us. Nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer, co-employer, or servant of the other for any purpose. You understand and agree that you are and will be an independent contractor under this Agreement. Nothing in this Agreement may be interpreted as creating a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Your employees are not our employees. Neither you nor any of your employees whose compensation you pay may in any way, directly or by implication, shall be considered our employee for any purpose, regardless of inclusion in mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any city, state or federal governmental agency. We do not, and will not, have the power to hire or terminate the employment of your employees. You expressly agree, and will never claim otherwise, that our authority under this Agreement does not directly or indirectly vest in us the power to influence the employment terms of any such employee.

10.1.2. At all times during the term of this Agreement, you shall hold yourself out to the public as an independent contractor operating pursuant to this Agreement. You shall take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place in your offices, the content of which we reserve the right to specify.

10.1.3. You hereby irrevocably affirm, attest, and covenant your understanding that your employees are employed exclusively by you and in no fashion are any such employee employed, jointly employed or co-employed by us.

10.1.4. We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than that of franchisor and developer. We will not be obligated for any damages to any person or property directly or indirectly arising out of the Development Schedule or the business you conduct under this Agreement.

11. COMPLIANCE WITH LAWS

11.1. Compliance with Laws. You shall comply with all federal, state, and local laws, rules, and regulations, including, without limitation, employment, labor, and wage and hour laws, tax laws, local operating regulations, medical, and corporate practice of medicine laws and regulations. You shall timely obtain and maintain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Businesses and dermani MEDSPA@s contemplated under this Agreement.

11.2. Notification of Claims. You shall notify us in writing within five (5) calendar days of receipt of notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or occurrence of any accident or injury which may adversely affect the operation of the business contemplated hereunder or the financial condition of you or give rise to liability or a claim against you or us.

11.3. Indemnification.

11.3.1. You agree to indemnify, defend, and hold harmless the Indemnified Parties against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of the Franchised Business's operation and/or any operations of the dermani MEDSPA@s you manage, the business you conduct under this Agreement, or your breach of this Agreement, unless the claims, obligations, or damages are determined to be caused solely by our gross negligence or willful misconduct in a final, unappealable ruling issued by a court of competent jurisdiction.

11.3.2. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. We have the right to designate attorneys that you must retain to defend any claims subject to this indemnification provision. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination.

11.3.3. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate their losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or

mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this subparagraph.

12. ENFORCEMENT

12.1. Severability and Substitution of Valid Provisions.

12.1.1. Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency, or tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portion of this Agreement which will continue to have full force and effect and bind the parties.

12.1.2. If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, and/or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

12.1.3. If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires of this Agreement's termination or of our refusal to renew your franchise agreement, or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice and/or other action required by the law or rule will be substituted for the comparable provisions of this Agreement and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits.

12.2. Waiver of Obligations.

12.2.1. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of ten (10) days' prior written notice.

12.2.2. We and you will not waive or impair any right, power, or option this Agreement reserves (including, without limitation, our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before its term expires) because of any custom or practice at variance with this Agreement's terms; our or your failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Franchised Businesses and Medspas; the existence of franchise agreements for other Franchised Businesses which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

12.2.3. Neither we nor you will be liable for loss or damage or be in breach of this Agreement if our or your failure to perform our or your obligations results from: (a) compliance with the orders, requests, regulations, or recommendations of any federal, state, or municipal government; (a) acts of God; (c) fires, strikes, embargoes, war, acts of terrorism or similar events, or riot; or (d) any other similar event or cause. Any delay resulting from any of these causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable, except that these causes will not excuse payments of amounts owed at the time of the occurrence or payment of Royalty Fees or System Marketing Fees due afterward.

12.2.4. If any of the provisions of this Agreement may be construed in more than one way, one of which would render the provision illegal or otherwise voidable or unenforceable, such provision shall have the meaning which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to its fair meaning and not strictly against any party. In the event any court or other government authority shall determine any provision in this Agreement is not enforceable as written, the parties agree that the provision shall be amended so that it is enforceable to the fullest extent permissible under the laws and public policies of the jurisdiction in which enforcement is sought and affords the parties the same basic rights and obligations and has the same economic effect. If any provision in this Agreement is held invalid or otherwise unenforceable by any court or other government authority or in any other proceeding, such findings shall not invalidate the remainder of the agreement unless our reasonable opinion of the effect of such determination has the effect of frustrating the purpose of this Agreement, whereupon we shall have the right by notice in writing to the other party to immediately terminate this Agreement.

12.3. Costs and Attorneys' Fees. If we incur costs and expenses due to your failure to pay when due amounts owed to us, to submit when due any reports, information, or supporting records, or otherwise to comply with this Agreement, you agree, whether or not we initiate a formal legal proceeding, to reimburse us for all of the costs and expenses that we incur, including, without limitation, reasonable accounting, attorneys' and related fees. Additionally, if we incur attorneys' fees or other expenses in successfully defending any claim you bring against us, including without limitation, a claim related to the offering of a franchise or the franchise relationship, you will be required to reimburse us for our reasonable costs and expenses (including attorneys' and expert witness fees).

12.4. No Exclusive Remedies. No right or remedy conferred upon or reserved to Franchisor or Developer by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

12.5. Mediation. Except as otherwise provided in this Section 12.5, any controversy or claim arising between us will first be submitted to non-binding mediation administered by an established, neutral mediation service with experience in franchise disputes. In the event the parties cannot agree on a mediator within thirty (30) days of one party's written request to the other party to mediate a dispute, such party (the complainant, defined below) shall submit the dispute to, and any such mediation shall be conducted by JAMS in accordance with its then-current rules for mediation of commercial disputes. Both parties must sign a confidentiality agreement before participating in any mediation proceeding. The mediation will take place in the city where our principal offices are located at the time the demand for mediation is filed. The mediation shall be non-binding. Notwithstanding anything to the contrary, this Section 12.5 shall not bar either party from obtaining judicial or injunctive relief for claims that are based solely on demands for money owed, or from obtaining injunctive relief against threatened conduct that will cause it loss or damages, under the

usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions, without having to engage in mediation; this exception includes, without limitation, claims involving the Marks.

12.5.1. The non-binding mediation provided for hereunder shall be commenced by the party requesting mediation (the “complainant”) providing written notice of the request for mediation (the “request”) to the party with whom mediation is sought (the “respondent”). The request shall specify with reasonable particularity the matter or matters on which mediation is sought.

12.5.2. Non-binding mediation commenced hereunder shall be concluded within sixty (60) days of the issuance of the request or such longer period as may be agreed upon by the parties in writing. Except as required by law, all aspects of the mediation process shall be treated as confidential, shall not be disclosed to others, and shall not be offered or admissible in any other proceeding or legal action whatever. Complainant and respondent shall each bear its own costs of mediation, and each shall bear one-half the cost of the mediator or mediation service.

12.6. Litigation. The parties agree that ALL CLAIMS between or among the parties to this agreement MUST be initiated and litigated exclusively and only in such state and exclusively in the judicial district in which we have our principal place of business at the time the action is commenced, and no other venue. The parties agree that this Section 12.6 shall not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue shall be as set forth above. You and your principals hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision, and agree to submit to the jurisdiction of the courts of the state in which we have our principal place of business at the time the action is commenced.

12.7. Injunctive Relief. Nothing herein contained shall bar our right to obtain injunctive relief against threatened conduct that will cause us harm, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunction.

12.8. Governing Law. Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other federal law, this Agreement, and all claims arising from or related to this Agreement, the Franchised Business, and the relationship between us and you will be governed by the procedural and substantive laws of the state of Florida, without regard to its conflict of laws or rules. The parties agree that any state law or regulation applicable to the offer or sale of franchises or the franchise relationship will not apply unless the jurisdictional provisions are independently met. You waive, to the fullest extent permitted by law, the rights and protections provided by any such franchise law or regulation.

12.9. Mutual Waiver of Class Actions. ANY LAWSUIT, CLAIM, COUNTERCLAIM, OR OTHER ACTION MUST BE CONDUCTED ONLY ON AN INDIVIDUAL BASIS, AND MUST NOT BE AS PART OF A CONSOLIDATED, COMMON, OR CLASS ACTION. YOU HEREBY AGREE NOT TO SEEK JOINDER OF ANY OF YOUR CLAIMS WITH THOSE OF ANY OTHER PARTY.

12.10. Mutual Waiver of Jury Trial. WE AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER PARTY AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.

12.11. Mutual Waiver of Punitive Damages. WE AND YOU HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE, EXEMPLARY, CONSEQUENTIAL, OR MULTIPLE DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN WE AND YOU EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

12.12. Limitations on Claims. EXCEPT AS OTHERWISE PROVIDED IN THIS SECTION 12.12, ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP BETWEEN YOU AND US, OR YOUR OPERATION OF THE CENTER, INCLUDING ANY PROCEEDING, OR ANY CLAIM IN ANY PROCEEDING (INCLUDING ANY DEFENSES AND ANY CLAIMS OF SET-OFF OR RECOUPMENT), MUST BE BROUGHT OR ASSERTED BEFORE THE EXPIRATION OF THE EARLIER OF (A) THE TIME PERIOD FOR BRINGING AN ACTION UNDER ANY APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS; (B) ONE (1) YEAR AFTER THE DATE UPON WHICH A PARTY DISCOVERED, OR SHOULD HAVE DISCOVERED, THE FACTS GIVING RISE TO AN ALLEGED CLAIM; OR (C) TWO (2) YEARS AFTER THE FIRST ACT OR OMISSION GIVING RISE TO AN ALLEGED CLAIM; OR IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES THAT SUCH CLAIMS OR ACTIONS SHALL BE IRREVOCABLY BARRED. CLAIMS ATTRIBUTABLE TO YOUR UNDERREPORTING OF SALES, AND CLAIMS OF THE PARTIES FOR FAILURE TO PAY MONIES OWED AND/OR INDEMNIFICATION SHALL BE SUBJECT ONLY TO THE APPLICABLE STATE OR FEDERAL STATUTE OF LIMITATIONS.

12.13. Binding Effect. This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manual and System Standards, this Agreement may not be modified except by a written agreement signed by both our and your duly-authorized officers.

12.14. Our Discretion and Judgment. Whenever we have expressly reserved in this Agreement a right and/or discretion to take or withhold an action, or to grant or decline to grant you a right to take or withhold an action, except as otherwise expressly and specifically provided in this Agreement, we may make such decision or exercise our right and/or discretion on the basis of our judgment of what is in our best interests, which includes what we believe to be the best interests of the franchise network at the time our decision is made or our right or discretion is exercised even though: (a) there may have been other alternative decisions or actions that could have been taken; (b) our decision or the action taken promotes our financial or other individual interest; or (c) our decision or the action we take may apply differently to different franchisees or our company-owned or affiliate-owned operations. In the absence of an applicable statute, we will have no liability to you for any such decision or action. We and you intend that the exercise of our right or discretion will not be subject to limitation or review.

12.15. Entire Agreement and Amendments.

12.15.1. This Agreement, the exhibits and the documents referred to herein constitute the entire, full and complete agreement between you and us with respect to the development rights and the Franchised Businesses and supersede all prior negotiations, representations, correspondence, and agreements concerning the same subject matter. There have been no other representations that have induced you to execute this Agreement. There are no other

oral or written understandings or agreements between us and you, or oral representations by us, or written representations by us relating to the subject matter of this Agreement, the development rights, the franchise relationship, or the Franchised Business(es) (and any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). However, nothing in this Area Development Agreement is intended to disclaim any representations made by us in the Franchise Disclosure Document that we furnished to you.

12.15.2. Any amendment to this Agreement will not be binding on either party unless that amendment is in writing and signed by both parties.

12.16. Countersignatures. This Agreement may be executed in multiple copies, each of which will be deemed an original.

12.17. Survival of Clauses. Each provision of this Agreement that expressly or by reasonable implication is to be performed, in whole or in part, after the expiration, termination, or Transfer of this Agreement (including, without limitation, this Section 12) will survive such expiration, termination, or Transfer.

12.18. No Third Party Rights. Except as otherwise stated in this Agreement, nothing in this Agreement is intended (nor will be deemed) to confer upon any party any rights or remedies under or by reason of this Agreement, except for you, us, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 7 above.

12.19. Our Right to Injunctive Relief. Nothing in this Agreement bars our right to obtain injunctive or declaratory relief against a breach or threatened breach of this Agreement that will cause us loss or damage. You agree that we will not be required to prove actual damages or post a bond or other security in seeking or obtaining injunctive relief (both preliminary and permanent) and/or specific performance.

13. NOTICES

13.1. All written notices, reports, and payments (for payments, if any, that are not made electronically) permitted or required to be delivered by this Agreement shall be in writing and shall be personally delivered and sent by registered mail, a recognized overnight delivery service (e.g., UPS, FedEx, etc.), or by other means which affords the sender evidence of delivery, or of rejected delivery, to the respective parties shown on Exhibit C, unless and until a different address has been designated by written notice to the other party. Any notice by a means which affords the sender evidence of delivery, or rejected delivery, shall be deemed to have been given at the date and time of receipt or rejected delivery.

14. ACKNOWLEDGEMENTS

14.1. Independent Investigation. You and the Owners acknowledge that:

14.1.1. You have conducted an independent investigation of the business venture contemplated by this Agreement and recognize that it involves business risks and that your results will be largely dependent upon your own efforts and ability.

14.1.2. We expressly disclaim the making of, and you acknowledge that you have not received, any representation, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

14.1.3. Any financial performance information presented in our Franchise Disclosure Document is not a warranty or guarantee of the results that you will achieve, and your experience is likely to differ.

14.1.4. We do not, by virtue of any approvals or advice provided to you, assume responsibility or liability to you or any third party to which we would otherwise not be subject.

14.1.5. We have not (and will not be deemed to have, even by virtue of our approval of the Development Area or proposed Premises) given any representation, promise, or guarantee of your success in the Development Area or at the Premises; and that you will be solely responsible for your own success in the Development Area and at the Premises.

14.1.6. We make no warranty as to your ability to operate the Franchised Business in the jurisdiction in which the Franchised Business is to be operated. You must seek or obtain advice of counsel specifically with respect to this issue.

14.2. Terrorism and Money Laundering Activities. You and the Owners represent and warrant that neither you nor any of the Owners is identified, either by name or by an alias, pseudonym, or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control (text currently available at www.treas.gov/offices/enforcement/ofac/). Further, you and the Owners represent and warrant that neither you nor any of the Owners has violated, and you and all of the Owners agree not to violate, any law prohibiting corrupt business practices, money laundering, or the aid or support of persons or entities who conspire to commit acts of terror against any person, entity, or government, including acts prohibited by the U.S. Patriot Act (text currently available at <https://www.gpo.gov/fdsys/pkg/BILLS-107hr3162enr/pdf/BILLS-107hr3162enr.pdf>), or any similar law. The foregoing constitute continuing representations and warranties, and you and the Owners shall immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

14.3. Receipt of Documents. You acknowledge that you received a copy of this Agreement, the exhibits hereto, and agreements relating hereto, if any, with all of the blank lines therein filled in, at least seven (7) days before the date when this Agreement was signed, and with sufficient time to review the Agreement with advisors of your choosing. You further acknowledge that you received our Franchise Disclosure Document required by the Federal Trade Commission’s Franchise Rule at least fourteen (14) days before the date this Agreement was signed.

14.4. Personal Obligations of Owners. The Owners acknowledge that, by signing this Agreement or the Guaranty and Assumption of Obligations attached as Exhibit B, they are binding themselves as individuals to all of the terms and conditions of this Agreement.

14.5. System Standards. Although we retain the right to establish and periodically modify System Standards which you have agreed to maintain in the operation of this developer business and the Franchised Businesses developed or operated pursuant to this Agreement, you retain the right and sole responsibility for the day to day management and operation of this developer business and the Franchised Businesses and the implementation and maintenance of System Standards at the Franchised Businesses and dermani MEDSPA®s.

14.6. Reasonable Business Judgment. Whenever we reserve discretion in a particular area or where we agree or are required to exercise our rights reasonably or in good faith, we will satisfy our obligations if we exercise “reasonable business judgment” in making our decision or exercising our rights. A decision or action by us will be deemed to be the result of “reasonable business

judgment,” even if other reasonable or even arguably preferable alternatives are available, if our decision or action is intended to promote or benefit the System generally even if the decision or action also promotes a financial or other individual interest of ours. Examples of items that will promote or benefit the System include enhancing the value of the Marks, improving customer service and satisfaction, improving product and service quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the System. Neither you nor any third party (including a trier of fact) will substitute judgment for our reasonable business judgment.

14.7. **Other Offers.** You acknowledge and agree that we may modify the offer of area development rights to other developers in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

14.8. **No Conflicting Obligations.** Each party represents and warrants to the others that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict such party from: (a) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (c) fulfilling its responsibilities under this Agreement.

The parties, intending to be legally bound, have entered into this Agreement on the date first written above.

IN WITNESS WHEREOF, the parties hereto have duly executed, sealed, and delivered this Agreement in duplicate on the day and year first above written.

WITNESS:

Witness

FRANCHISOR:

dermani MEDSPA Franchising LLC

By: _____

Name: _____

Title: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

Witness

EXHIBIT A to the dermani MEDSPA® Area Development Agreement

DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE

1. dermani MEDSPA®s. You must develop, own, and operate _____ (__) dermani MEDSPA®s.

2. Development Area. All dermani MEDSPA®s developed under this Development Agreement must be located within the boundaries of the following area, which is the “**Development Area**”:

3. Development Schedule. Recognizing that time is of the essence, you agree to satisfy the Development Schedule set forth below:

dermani MEDSPA®	FRANCHISE AGREEMENT SCHEDULE	dermani MEDSPA® OPENING SCHEDULE	Cumulative Number of dermani MEDSPA®s Open and In Operation by Scheduled Opening Date
	Date by Which Each Franchise Agreement Must be Signed, dermani MEDSPA® Site Selected and Approved, and Franchisee Entity Approved by Franchisor	Date by Which Each dermani MEDSPA® Must be Open	

4. Development Fee. The Development Fee is \$_____.

FRANCHISOR:

dermani MEDSPA Franchising LLC

By: _____

Name: _____

Title: _____

Date: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT B to the dermani MEDSPA® Area Development Agreement

GUARANTY AND ASSUMPTION OF OBLIGATIONS

As an inducement to dermani MEDSPA® Franchising LLC (“**Franchisor**”) to execute the dermani MEDSPA Area Development Agreement between Franchisor and _____ (“**Franchisee**”), dated _____, 20__ (the “**Agreement**”), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and Franchisor’s successors and assigns that all of Franchisee’s monetary and other obligations under the Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned each hereby jointly and severally agree to immediately make each payment required of Franchisee under the Agreement and waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Agreement; (b) proceed against or exhaust any security from Franchisee; (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; or (d) give notice of demand for payment by Franchisee. Without affecting the obligations of the undersigned under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee, and the undersigned each hereby jointly and severally waive notice of same and agree to remain and be bound by any and all such amendments and changes to the Agreement.

The undersigned each hereby jointly and severally agree to defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorney’s fees, reasonable costs of financial and other investigation, court costs, and fees and expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned each hereby jointly and severally acknowledge and expressly agree to be individually bound by all covenants not to compete (Section 9 of the Area Development Agreement), governing law and dispute resolution provisions (including the jury trial waiver, limitation on the time for bringing claims, waiver of class actions, and waiver of punitive damages (Section 12 of the Area Development Agreement)), and restrictions on transfer of interest contained in Section 7 of the Area Development Agreement (however, you understand and acknowledge that this Guarantee does not grant you any right to use the “dermani MEDSPA®” Marks or System).

This Guarantee shall terminate upon the termination or expiration of the Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

If Franchisor is required to enforce this Guarantee in a judicial or arbitration proceeding, and prevails in such proceeding, Franchisor shall be entitled to reimbursement of its costs and expenses, including, but not limited to, reasonable accountants’, attorneys’, attorneys’ assistants’, arbitrators’, and expert witness fees, costs, and expenses, costs of investigation and proof of facts, court costs, other litigation expenses, travel and living expenses, and interest, whether incurred prior to, in preparation for, or in

contemplation of the filing of any such proceeding. If Franchisor is required to engage legal counsel in connection with any failure by the undersigned to comply with this Guarantee, the undersigned shall reimburse Franchisor for any of the above-listed costs and expenses Franchisor incurs.

Subject to the obligations and provisions below, each of the undersigned agrees that all actions arising under this Guarantee or the Agreement, or otherwise as a result of the relationship between Franchisor and the undersigned, shall be governed by the provisions of Section 12 of the Agreement, and must be commenced in the state or federal court of general jurisdiction in which Franchisor has its principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. Nonetheless, each of the undersigned agrees that Franchisor may enforce this Guarantee and any orders and awards in the courts of the state or states in which he or she is domiciled.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Agreement, and shall be interpreted and construed in accordance with Section 12 of the Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Agreement.

GUARANTOR

Name:_____

Name:_____

Name:_____

EXHIBIT C to the dermani MEDSPA® Area Development Agreement

LIST OF OWNERS AND OWNERSHIP INTERESTS

Effective Date: This Exhibit C is current and complete

as of _____, 20__

Developer and Its Owners

1. Form of Developer Entity.

(a) Individual Proprietorship. Developer's owner(s) (is) (are) as follows:

(b) Corporation, Limited Liability Company, or Partnership. The Developer entity was incorporated or formed on _____, under the laws of the State of _____. It has not conducted business under any name other than the corporate, limited liability company, or partnership name and _____. The following is a list, as applicable, of the Developer's partners, directors, officers and/or members as of the effective date shown above:

<u>Name of Each Director/Officer/Member/Manager</u>	<u>Position(s) Held</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

2. Owners. The following list includes the full name of each person who is one of Developer's owners, or an owner of one of Developer's (direct or indirect) owners, and fully describes the nature of each owner's interest (attach additional pages if necessary).

	<u>Owner's Name/Address/Tax Identification No.</u>	<u>Percentage/Description of Interest</u>
(a)	_____	_____
	_____	_____

(b)	_____	_____
	_____	_____

(c)	_____	_____
	_____	_____

(d)	_____	_____
	_____	_____

3. Identification of Operating Principal. Developer's Operating Principal as of the Effective Date is _____ (must be one of the individuals listed in paragraph 2 above). Developer may not change the Operating Principal without our prior written consent.

FRANCHISOR:

dermani MEDSPA Franchising LLC

By: _____

Name: _____

Title: _____

Date: _____

DEVELOPER:

By: _____

Name: _____

Title: _____

Date: _____

EXHIBIT D to the dermani MEDSPA® Area Development Agreement

FRANCHISE AGREEMENT

The form of Franchise Agreement that we currently offer is attached.

EXHIBIT E to the dermani MEDSPA® Area Development Agreement

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT (Between Developer and its Owners, Officers, and Directors)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT (“Agreement”) is made this ____ day of _____, 20____, by and between _____ (the “**Developer**”), and _____, who is a shareholder, principal, manager, supervisor, member, partner, or a person in a managerial position with, Developer (the “**Member**”).

BACKGROUND:

WHEREAS, dermani MEDSPA® Franchising LLC (“Franchisor”) has developed a distinctive set of specifications and operating procedures (collectively, the “System”) for the operation of “dermani MEDSPA®” centers (“Medpsas” or “Franchised Businesses”).

WHEREAS, Franchisor and Developer have executed an Area Development Agreement (“Area Development Agreement”) granting Developer the right to operate Franchised Businesses pursuant to individual Franchise Agreements;

WHEREAS, the Member, by virtue of his or her position with Developer, will gain access to certain of Franchisor’s Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Developer is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the parties agree as follows:

1. Confidential Information. Member will not, during the term of the Area Development Agreement or thereafter, communicate, divulge or use for any purpose other than the operation of the Franchised Businesses, any confidential information, knowledge, trade secrets or know-how which may be communicated to Member or which Member may learn by virtue of Member’s relationship with Developer. All information, knowledge and know-how relating to Franchisor, its business plans, Franchised Businesses, or the System (“**Confidential Information**”) is deemed confidential, except for information that Member can demonstrate came to Member’s attention by lawful means prior to disclosure to Member or which, at the time of the disclosure to Member, had become a part of the public domain. In addition, there may be certain, limited circumstances where applicable law allows for the disclosure of certain trade secrets, as specified in the Manuals.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Area Development Agreement, and by virtue of his or her position with Developer, Member will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Area Development Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for him or herself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) develop, build, own, maintain, operate, manage, engage in, franchise, or license, or have any direct or indirect controlling or non-controlling interest as an owner – whether of record, beneficially, or otherwise – in medical spa centers or businesses that offer medical spa products or services substantially similar to those then offered by dermani MEDSPA®s (“**Competitive Business**”);

(ii) be or perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating;

(iii) divert or attempt to divert any actual or potential business or customer of the Franchised Business to a Competitive Business; or

(iv) In any manner interfere with, disturb, disrupt, impair, diminish, or otherwise jeopardize our business or that of our affiliates or any of our developers or franchisees.

(c) Member covenants and agrees that during the Post-Term Period (defined below), Member will not, either directly indirectly, own, maintain, operate, engage in, manage, franchise or license, or have any direct or indirect controlling or non-controlling interest as an owner (whether of record, beneficially, or otherwise) or be or perform services as a partner, director, manager, employee, consultant, representative, or agent in any Competitive Business, that is, or is intended to be, located within the Development Area, or within a five (5) mile radius of the boarder of the Development Area or any other dermani MEDSPA® operating at the time.

(d) As used in this Agreement, the term “Post-Term Period” will mean a continuous uninterrupted period of two (2) years from the date of: (a) a transfer of the Member’s interest in the rights granted under this Area Development Agreement permitted under Section 7 of the Area Development Agreement; (b) expiration or termination of the Area Development Agreement (regardless of the cause for termination); (c) termination of Member’s directorship or officership with Developer; and/or (d) a final order of a duly authorized or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to the enforcement of this Agreement; either directly or indirectly (through, on behalf of, or in conjunction with any person, partnership, corporation or entity).

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all court costs and reasonable attorney’s fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, are held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor’s and/or Developer’s legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Developer to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Definitions. All capitalized terms not defined herein will have the meaning ascribed to them in the Area Development Agreement.

7. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Developer.

IN WITNESS WHEREOF, the Developer and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

DEVELOPER

MEMBER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

EXHIBIT C
LIST OF ADMINISTRATORS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)	NEW YORK Office of the New York State Attorney General Investor Protection Bureau, Franchise Section 28 Liberty Street, 21 st Floor New York, New York 10005 (212) 416-8236 Phone (212) 416-6042 Fax
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA North Dakota Securities Department 600 Boulevard Avenue, State Capitol Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Office of the Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director, Department of Business Regulation Securities Division John O. Pastore Center–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Indiana Securities Commissioner Securities Division 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9 th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1 st Floor 525 W. Ottawa St. Lansing, Michigan 48909 (517) 373-7117	WASHINGTON Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 296-4026	WISCONSIN Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555

EXHIBIT D
AGENTS FOR SERVICE OF PROCESS

We intend to register this disclosure document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation California Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 (866) 275-2677 (toll free)	NEW YORK New York Department of State One Commerce Plaza 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	NORTH DAKOTA Securities Commissioner North Dakota Securities Department 600 Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	RHODE ISLAND Director, Department of Business Regulation Securities Division John O. Pastore Center–Bldg. 69-1 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Indiana Secretary of State 302 West Washington Street, Room E018 Indianapolis, Indiana 46204 (317) 232-6681	SOUTH DAKOTA Department of Labor and Regulation Division of Insurance – Securities Regulation 124 S. Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	VIRGINIA Clerk of the State Corporation Commission 1300 East Main Street, 1 st Floor Richmond, Virginia 23219 (804) 371-9733
MICHIGAN Michigan Department of Attorney General Consumer Protection Division G. Mennen Williams Building, 1 st Floor 525 West Ottawa Street Lansing, Michigan 48933 (517) 373-7117	WASHINGTON Director of Department of Financial Institutions Securities Division – 3 rd Floor 150 Israel Road, S.W. Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7 th Place East, Suite 280 St. Paul, Minnesota 55101 (612) 296-4026	WISCONSIN Wisconsin Commissioner of Securities Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 261-9555

EXHIBIT E
LIST OF FRANCHISEES

Below is a list of our current franchisees, as of December 31, 2022:

Georgia

B-Firm, LLC
1133 Woodstock Rd Suite 140
Roswell, GA 30075
770-416-2301

Dandeespa2 LLC
4920 Roswell Road, Suite 19
Atlanta, GA 30342
404-383-1015

Dermanispa1 LLC
5155 Peachtree Pkwy, Suite 230
Peachtree Corners, GA 30092
404-713-5881

DanDeeSpa3 LLC
410 Peachtree Parkway #140
Cumming, GA 30041
404-713-5881

Alph dermani LLC
6480 North Point Parkway
Suite 1100A
404-885-8701

Lumi Group LLC
4512 Chamblee Dunwoody Road
Suite 17
Dunwoody, GA 30338
404-934-7955

AATVE Medspa LLC
6603 Sugarloaf Pkwy, Suite 108
Duluth, GA 30097
678-373-3230

Gracehaven One LLC
2050 Scenic Hwy N
Suite F
Snellville, GA 30078
678-866-2006

Texas:

JMPJR, Inc
11661 Peston Rd
Suite 210
Dallas, TX 75230
214-753-8650

Franchisees that Signed Agreements in 2022 but Outlet Not Open:

Georgia

AATVE MEDSPA EAST COBB LLC
678-373-3230

Illinois

Russett Rose LLC
(312) 659-0232

New Mexico

Koa-Grace LLC
505-293-7611

Florida

Ryann Walker
407-729-0969

Texas

The Schlecht Group, Inc
713-244-4727

EXHIBIT F
LIST OF FORMER FRANCHISEES

Below is a list of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Disclosure Document issuance date:

None.

EXHIBIT G
FINANCIAL STATEMENTS

DERMANI MEDSPA FRANCHISING, LLC

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

DERMANI MEDSPA FRANCHISING, LLC

TABLE OF CONTENTS

DECEMBER 31, 2022

Independent Auditor's Report	1-2
-------------------------------------	------------

Financial Statements

Balance Sheet	3
---------------	---

Statement of Operations and Changes in Member's Deficit	4
---	---

Statement of Cash Flows	5
-------------------------	---

Notes to the Financial Statements	6-14
--	-------------



NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200
Kennesaw, Georgia 30144
770-422-0598 FAX 678-214-2355
kennesaw@nicholscauley.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
dermani MEDSPA Franchising, LLC
Windermere, Florida

Opinion

We have audited the accompanying financial statements of dermani MEDSPA Franchising, LLC, which comprise the balance sheet as of December 31, 2022, and the related statements of operations and changes in member's deficit and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of dermani MEDSPA Franchising, LLC as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of dermani MEDSPA Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about dermani MEDSPA Franchising, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of dermani MEDSPA Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about dermani MEDSPA Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Nichols, Cauley & Associates, LLC

Nichols, Cauley and Associates, LLC
Kennesaw, Georgia
April 5, 2023

DERMANI MEDSPA FRANCHISING, LLC**BALANCE SHEET
DECEMBER 31, 2022****Assets**

Current assets

Cash	\$ 114,944
Restricted cash	68,490
Accounts receivable	6,506
Related party receivable	11,363
Operating lease right of use asset, current portion	37,133
Total current assets	<u>238,436</u>

Furniture and equipment

Furniture and equipment	66,483
Less accumulated depreciation	(10,198)
Total furniture and equipment	<u>56,285</u>

Other assets

Operating lease right of use asset, net of current portion	321,049
Security deposit	3,612
Total other assets	<u>324,661</u>

Total assets	<u>\$ 619,382</u>
--------------	-------------------

Liabilities and Member's Deficit

Liabilities

Current liabilities

Accrued liabilities	\$ 78,221
Unearned revenue, current portion	71,050
Operating lease liability, current portion	33,900
Total current liabilities	<u>183,171</u>

Long-term liabilities

Due to related party	200,000
Unearned revenue, net of current portion	385,422
Operating lease liability, net of current portion	343,262
Total long-term liabilities	<u>928,684</u>

Total liabilities	<u>1,111,855</u>
-------------------	------------------

Member's deficit	<u>(492,473)</u>
------------------	------------------

Total liabilities and member's deficit	<u>\$ 619,382</u>
--	-------------------

The accompanying notes and independent auditor's report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2022

Revenue

Franchise sales	\$ 33,219
Royalty fees	286,676
Technology fees	27,750
Training fees	211,932
System marketing fees	40,038
Software fees	7,635
Total revenue	<u>607,250</u>

General and Administrative Expenses

Computer, software and internet expense	41,820
Depreciation expense	7,499
Legal and professional services	102,987
Meals, entertainment and travel	21,956
Merchant processing fees	2,532
Payroll and benefits	252,379
Phone and utilities	7,096
Rent expense	78,532
Repairs and maintenance	16,886
Spa supplies	4,554
Training expense	39,831
Other general and administrative expenses	417
Total general and administrative expenses	<u>576,489</u>

Selling Expenses

Advertising and marketing	217,280
Broker fees	130,000
Commissions	58,225
Total selling expenses	<u>405,505</u>

Total expenses	<u>981,994</u>
----------------	----------------

Net loss	(374,744)
----------	-----------

Member's Deficit, December 31, 2021	<u>(117,729)</u>
--	------------------

Member's Deficit, December 31, 2022	<u><u>\$ (492,473)</u></u>
--	----------------------------

The accompanying notes and independent auditor's report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash flows from operating activities

Net loss	\$ (374,744)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	7,499
Changes in operating assets and liabilities	
Accounts receivable	691
Related party receivables	(11,363)
Operating lease right of use asset	50,491
Accrued liabilities	26,227
Unearned revenue	238,281
Lease liability	<u>(31,511)</u>
Net cash used by operating activities	<u>(94,429)</u>

Cash flows from investing activities

Purchase of furniture and equipment	<u>(6,461)</u>
Net cash used in investing activities	<u>(6,461)</u>

Cash flows from financing activities

Proceeds from related party	<u>110,000</u>
Net cash provided by financing activities	<u>110,000</u>

Net increase in cash and cash equivalents	9,110
---	-------

Cash, including restricted cash, at December 31, 2021	<u><u>174,324</u></u>
--	-----------------------

Cash, including restricted cash, at December 31, 2022	<u><u>\$ 183,434</u></u>
--	--------------------------

Supplemental schedule of noncash investing and financing activities

Operating lease right of use asset at inception, January 1, 2022	\$ 394,233
Operating lease liability at inception, January 1, 2022	408,673

The accompanying notes and independent auditor's report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. BUSINESS AND ORGANIZATION

dermani MEDSPA Franchising, LLC, a single member Florida limited liability company (the "Company") was originally formed under the laws of the state of Georgia on January 16, 2019. On March 25, 2022, the Company filed Articles of Conversion in accordance with Florida Statutes s.605.1045. The trademark name "dermani MEDSPA®" was originally acquired in 2014 by the Member's owners and was transferred to the Company effective April 22, 2019 by a Trademark and System License agreement. The Company's planned principal operations is the franchising of dermani MEDSPA centers that will provide clients with laser hair removal, skin rejuvenation, chemical peels, dermaplaning, injections and other products.

As of December 31, 2022, there were nine franchise centers in operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company are presented using the accrual basis of accounting whereby revenues are recognized when they are earned, and expenses are recognized when they are incurred. The Company follows accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The Company considers cash and cash equivalents to consist of cash at banks and all highly liquid investments with original maturities of three months or less. The Company maintains its cash balances at one bank, the total of which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2022, the Company's cash balances were fully insured.

The Company holds system wide marketing fees collected in a restricted cash account. These amounts can only be spent on specified advertising related expenses as noted in the franchisee agreements.

Accounts Receivable

Accounts receivable consists of royalty, technology, and software fees due from franchisees. Receivables are stated at cost, net of any allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of franchisees to make required payments. The Company reviews the receivable balance on a periodic basis and makes allowances when there is a substantial doubt as to the collectability of individual balances. The evaluation process includes many factors, including age of balance, payment history, credit worthiness and current economic trends. Based on this process, management did not provide for an allowance for doubtful accounts as of December 31, 2022.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment

Furniture and equipment is stated at cost and depreciated using the straight-line method over their useful lives. Estimated useful lives by asset class are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Computers and printers	5 years
Furniture	7 years
Medical devices & machinery	10 years

Repairs and maintenance are charged to expense as incurred.

Advertising

Advertising costs are expensed as incurred and are made at the Company's discretion. Advertising expense for the year ended December 31, 2022 was \$217,280.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 and subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Franchise Sales

Franchise sales comprise revenue from the sale or renewal of franchises. A fee is charged upon sale or renewal. Under this arrangement, franchisees are granted the right to operate a center using the "dermani MEDSPA®" system for an initial term of ten (10) years with the right to renew for two (2) additional consecutive successor terms of five (5) years each subject to certain conditions being met. The Company is required to provide initial training regarding the system and provide assistance in accordance to the Franchise Agreement.

The Company recognizes revenue from franchise fees during the year in which the related performance obligations are provided to franchisees. The Company has identified three performance obligations delivered as part of the franchise fee related to initial training of franchisees, store location assistance, and rights to intellectual property.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

The performance obligation of training franchisees is satisfied at the time of training, and the related revenue is recognized at the time initial training is completed. The transaction price allocated to pre-opening training was determined using the cost plus margin approach.

The performance obligation of store location assistance is satisfied at the time a franchisee's agreement is signed and the related revenue is recognized at the time the agreement is signed. The transaction price allocated to store location assistance was determined using the cost plus margin approach.

The performance obligation of providing the right to intellectual property is simultaneously received and consumed by franchisees, and is thus recognized ratably over the course of the ten year franchise agreement. The transaction price allocated to intellectual property is determined using the residual approach.

Royalty Fees

Revenues from royalties are collected each week based on weekly sales, and are therefore recognized each week as sales take place.

Royalty fees are due by Wednesday of each week for the prior week through Sunday. The required weekly royalty fee is 5.00% of the franchisee weekly sales level. If a franchise closes before the end of their contract term, all royalty fees are due within 15 days.

System Marketing Fees

System marketing fees are collected each week based on weekly sales. These revenues are obligated to be used for advertising and related operating expenses for the franchisees and other corporate medical spa locations. Amounts received are recognized as revenue each week as sales take place.

System marketing fees are due by Wednesday of each week for the prior week through Sunday. The Company charges up to 2%, currently set at 0.25%, of gross revenues per week as system marketing fees. If a franchise closes before the end of their contract term, all system marketing fees are due within 15 days.

All system marketing fees collected are contractually restricted for the benefit of franchisees and the Company recognizes an equal and offsetting liability on the Company's balance sheet for all amounts received. Additionally, this results in recording an equal and offsetting expense, such that there is no impact to overall profitability of the Company from these revenues. In addition, advertising costs are expensed as incurred.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Technology and Software Fees

Revenues from technology and software fees are collected each month at rates set in the Franchise Disclosure Document (FDD). Technology and software revenues along with the related expenditure for these services are recognized monthly as the services are provided to the franchisee.

Training Fees

In addition to training franchisees, during 2021, the Company set up a training academy to provide continued medical spa training to the general public. Training class revenue is recognized when the event occurs and until then, amounts collected are included in "Unearned Revenue".

Leases

In February 2016, the FASB issued ASU 2016-02, Topic 842, *Leases*. This ASU increases transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU affects any entity that enters into a lease, with some specified scope exemptions, and supersedes FASB ASC 840, *Leases*. The ASU has been adopted by the Company on January 1, 2022. The Company elected the package of practical expedients permitted under the transition guidance within ASC 842, which includes not reassessing lease classification of historical leases, the historical assessment of whether contracts are or contain leases, and the determination of initial direct costs. At inception, the Company recognized \$394,233 of an operating lease right-of-use asset and \$408,673 of an operating lease liability.

The Company has a lease for its office in Duluth, Georgia which expires in July 2031. The lease is included as an asset on the Company's balance sheet and represents the Company's right to use the underlying asset for the lease term. The Company's obligation to make lease payments is included as a liability on the Company's balance sheet. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. Because the rate implicit in the lease is not readily determinable, the Company uses its incremental borrowing rate to determine the present value of the lease payments.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

3. FURNITURE AND EQUIPMENT

Balances of major classes of depreciable assets as of December 31, 2022 are as follows:

Asset Class	2022
Computers and printers	\$ 2,809
Furniture and equipment	17,958
Medical devices & machinery	45,716
	<u>66,483</u>
Less: accumulated depreciation	(10,198)
Total	<u>\$ 56,285</u>

Depreciation expense for the year ended December 31, 2022 was \$7,499.

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31, 2022:

	2022
Marketing funds (a)	\$ 74,390
Accrued payroll costs	3,251
Other	<u>580</u>
Total accrued liabilities	<u>\$ 78,221</u>

(a) Consists primarily of liabilities recognized to reflect the contractual restriction that all funds collected in the Marketing Funds must be spent for designated purposes. See Note 2.

5. RELATED PARTY ACTIVITY

In 2019, Renew Laser & Cosmetics, LLC (Johns Creek), a related entity wholly owned by the sole member of the Company, made advances in the amount of \$40,000 to the Company. In 2021, Johns Creek made additional advances in the amount of \$30,000 to the Company. The funds were provided by Johns Creek to meet current obligations and will be repaid as funds become available. The advance from Johns Creek is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year. The balance as of December 31, 2022 was \$70,000.

In 2021, dermani Buckhead (Buckhead), a related entity wholly owned by the sole member of the Company, made advances in the amount of \$20,000 to the Company. The funds were provided by Buckhead to meet current obligations and will be repaid as funds become available. The advance from Buckhead is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year. The balance as of December 31, 2022 was \$20,000.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. RELATED PARTY ACTIVITY (CONTINUED)

In 2022, dermani Sandy Springs, a related entity wholly owned by the sole member of the Company, made advances in the amount of \$30,000 to the Company. The funds were provided by Sandy Springs to meet current obligations and will be repaid as funds become available. The advance from Sandy Springs is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year. The balance as of December 31, 2022 was \$30,000.

In 2022, dermani Buford, a related entity wholly owned by the sole member of the Company, made advances in the amount of \$50,000 to the Company. The funds were provided by Buford to meet current obligations and will be repaid as funds become available. The advance from Buford is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year. The balance as of December 31, 2022 was \$50,000.

In 2022, dermani Vinings, a related entity wholly owned by the sole member of the Company, made advances in the amount of \$30,000 to the Company. The funds were provided by Vinings to meet current obligations and will be repaid as funds become available. The advance from Vinings is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year. The balance as of December 31, 2022 was \$30,000.

The Company executed a Trademark and System License Agreement (the "Trademark Agreement") on April 22, 2019 with Lazcoz, LLC (the "Licensor"). The Licensor is the owner of a format and system (the "System") relating to the establishment, operation, management and franchising of medical spa centers, which operate under the "dermani MEDSPA®" name and the System. The Company has the right to sublicense the properties to third-party franchisees for the operation of dermani MEDSPA® pursuant to the execution of an approved Franchise Agreement. The Trademark Agreement commenced on the effective date of the Trademark Agreement and shall remain in effect for twenty (20) years (April 22, 2039) and shall renew automatically for successive one (1) year periods unless terminated in accordance with the Trademark Agreement.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

6. LEASES

The Company executed a lease for office space which commenced on March 26, 2021 with a 63 month term. The current lease expires June 25, 2026 with an option to extend for an additional 60 months through July 1, 2031. Provisions in the lease allow for a suspension of the initial 3 months of lease payments after which the lease expense is \$3,612 per month, increasing by 3% annually. The Company's incremental borrowing rate of 3.25% on the day the lease was obtained was used as the discount rate in order to determine present value.

Total cash paid for operating lease was \$44,211 for the year ended December 31, 2022. Rental expense was \$78,532 for the year ended December 31, 2022 and is included in general and administrative expenses in the accompanying statements of operations and member's deficit.

Future lease payments are as follows:

2023	\$	33,900
2024		36,408
2025		39,042
2026		41,804
2027		44,703
Thereafter		181,305
	\$	<u>377,162</u>

7. CONTINGENCIES

Legal Claims

Occasionally, in the ordinary course of business, the Company may be party to legal claims or proceedings of which the outcomes are subject to significant uncertainty. In accordance with FASB Accounting Standards Codification (ASC) 450, Contingencies, the Company will assess the likelihood of an adverse judgement for any outstanding claim, as well as, ranges of probable losses. When it has been determined that a loss is probable and the amount can be reasonably estimated, the Company will record a liability. For the year ended December 31, 2022, there were no material legal contingencies requiring accrual or disclosure.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. INCOME TAXES

The Company operates as a limited liability company treated as a disregarded entity for tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the Member and no provision or liability for Federal Income Taxes is included in these financial statements. The Member's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2022, no taxing authorities have proposed any adjustment to the Member's tax position.

9. RIGHT OF FIRST REFUSAL

The Company has the "right of first refusal," which gives them the right to purchase and acquire a franchised business under various circumstances, as more fully described in the Franchise Disclosure Document. Management does not plan to exercise their right of first refusal.

10. UNEARNED REVENUE

Initial franchise fees are received upon the franchisee's signing of a franchise agreement. Three performance obligations are identified related to initial franchise fees as described in Note 2. The following table provides information about significant changes in the unearned revenue for the year ended December 31, 2022:

	Balance at beginning of period	New billings	Revenue recognized	Balance at end of period
Franchise sales	\$ 210,391	\$ 277,000	\$ (33,219)	\$ 454,172
Training revenue	7,800	206,432	(211,932)	2,300
	<u>\$ 218,191</u>	<u>\$ 483,432</u>	<u>\$ (245,151)</u>	<u>\$ 456,472</u>

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

11. OPERATING REVENUES

The Company's revenue is based on the timing of satisfaction of performance obligations. The Company has applied the optional exemption under paragraph 606-10-50-14A(a). The right to the dermani MEDSPA trademark is recognized over time as a 5% royalty fee is collected on total sales. The contract length is 10 years for the use of the trademark. Remaining terms range from 7-10 years. \$459,006 of initial franchise fees received have not been earned by the Company as of December 31, 2022. The timing of satisfaction of performance obligations as of December 31, 2022 is as follows:

	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 592,532
Performance obligations satisfied over time	<u>14,718</u>
Total income	<u>\$ 607,250</u>

12. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through April 5, 2023, the date these financial statements were available to be issued and determined that no additional events are required to be disclosed or recorded in the financial statements.

DERMANI MEDSPA FRANCHISING, LLC

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2021

DERMANI MEDSPA FRANCHISING, LLC

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Operations and Changes in Member's Deficit	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-12



NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200
Kennesaw, Georgia 30144
770-422-0598 FAX 678-214-2355
kennesaw@nicholscabley.com

INDEPENDENT AUDITOR'S REPORT

To the Members of
dermani MEDSPA Franchising, LLC
Duluth, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of dermani MEDSPA Franchising, LLC, which comprise the balance sheet as of December 31, 2021, and the related statements of operations and changes in member's deficit and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of dermani MEDSPA Franchising, LLC as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of dermani MEDSPA Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about dermani MEDSPA Franchising, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The

Atlanta | Calhoun | Canton | Dalton | Dublin
Fayetteville | Kennesaw | Rome | Warner Robins

risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of dermani MEDSPA Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about dermani MEDSPA Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Nichols, Cauley & Associates, LLC

Nichols, Cauley and Associates, LLC
Kennesaw, Georgia
March 16, 2022

DERMANI MEDSPA FRANCHISING, LLC**BALANCE SHEET****DECEMBER 31, 2021**

Assets

Current assets

Cash	\$ 143,177
Restricted cash	31,147
Accounts receivable	7,197
Total current assets	<u>181,521</u>

Furniture and equipment

Furniture and equipment	60,022
Less accumulated depreciation	(2,699)
Total furniture and equipment	<u>57,323</u>

Other assets

Security deposit	3,612
Total other assets	<u>3,612</u>

Total assets	<u><u>\$ 242,456</u></u>
--------------	--------------------------

Liabilities and Member's Deficit

Liabilities

Current liabilities

Accrued liabilities	\$ 51,994
Unearned revenue, current portion	34,467
Total current liabilities	<u>86,461</u>

Long-term liabilities

Due to related party	90,000
Unearned revenue, net of current portion	183,724
Total long-term liabilities	<u>273,724</u>

Total liabilities	<u>360,185</u>
-------------------	----------------

Member's deficit	<u>(117,729)</u>
------------------	------------------

Total liabilities and member's deficit	<u><u>\$ 242,456</u></u>
--	--------------------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2021

Revenue

Franchise sales	\$ 19,067
Royalty fees	121,307
Technology fees	15,225
Training fees	225,821
System marketing fees	29,806
Software fees	20,996
Total revenue	<u>432,222</u>

General and Administrative Expenses

Advertising and marketing	92,828
Business licenses and permits	50
Computer, software and internet expense	40,480
Rent expense	49,465
Legal and professional services	38,588
Meals, entertainment and travel	9,926
Merchant processing fees	2,713
Payroll expense	145,300
Health benefits	8,587
Repairs and maintenance	6,588
Spa supplies	2,138
Phone and utilities	5,171
Training expense	83,334
Depreciation expense	2,699
Total general and administrative expenses	<u>487,867</u>

Net loss	(55,645)
----------	----------

Member's Deficit, December 31, 2020	<u>(62,084)</u>
--	-----------------

Member's Deficit, December 31, 2021	<u><u>\$ (117,729)</u></u>
--	----------------------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

Cash flows from operating activities

Net loss	\$ (55,645)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation expense	2,699
Changes in operating assets and liabilities	
Accounts receivable	(6,957)
Prepaid assets	2,292
Security deposit	(3,612)
Accrued liabilities	38,399
Unearned revenue	137,733
Net cash provided by operating activities	<u>114,909</u>

Cash flows from investing activities

Purchase of furniture and equipment	<u>(60,022)</u>
Net cash used in investing activities	(60,022)

Cash flows from financing activities

Proceeds from related party	<u>50,000</u>
Net cash provided by financing activities	50,000

Net increase in cash and cash equivalents	104,887
---	---------

Cash, including restricted cash, at December 31, 2020	<u>69,437</u>
--	---------------

Cash, including restricted cash, at December 31, 2021	<u><u>\$ 174,324</u></u>
--	--------------------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. BUSINESS AND ORGANIZATION

dermani MEDSPA Franchising, LLC, a single member Georgia limited liability company (the "Company") was formed under the laws of the state of Georgia on January 16, 2019. The trademark name "dermani MEDSPA®" was originally acquired in 2014 by the Member's owners and was transferred to the Company effective April 22, 2019 by a Trademark and System License agreement. The Company's planned principal operations is the franchising of dermani MEDSPA centers that will provide clients with laser hair removal, skin rejuvenation, chemical peels, dermaplaning, injections and other products.

As of December 31, 2021, there were five franchise centers in operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Company are presented using the accrual basis of accounting whereby revenues are recognized when they are earned, and expenses are recognized when they are incurred. The Company follows accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Cash Equivalents and Restricted Cash

The Company considers cash and cash equivalents to consist of cash at banks and all highly liquid investments with original maturities of three months or less. The Company maintains its cash balances at one bank, the total of which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021, the Company's cash balances were fully insured.

The Company holds system wide marketing fees collected in a restricted cash account. These amounts can only be spent on specified advertising related expenses as noted in the franchisee agreements.

Accounts Receivable

Accounts receivable consists of royalty, technology, and software fees due from franchisees. Receivables are stated at cost, net of any allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of franchisees to make required payments. The Company reviews the receivable balance on a periodic basis and makes allowances when there is a substantial doubt as to the collectability of individual balances. The evaluation process includes many factors, including age of balance, payment history, credit worthiness and current economic trends. Based on this process, management did not provide for an allowance for doubtful accounts as of December 31, 2021.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and Equipment

Furniture and equipment is stated at cost and depreciated using the straight-line method over their useful lives. Estimated useful lives by asset class are as follows:

<u>Asset Class</u>	<u>Estimated Useful Life</u>
Computers and printers	5 years
Furniture	7 years
Medical devices & machinery	10 years

Repairs and maintenance are charged to expense as incurred.

Advertising

Advertising costs are expensed as incurred and are made at the Company's discretion. Advertising expense for the year ended December 31, 2021 was \$92,828.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Franchise Sales

Franchise sales comprise revenue from the sale or renewal of franchises. A fee is charged upon sale or renewal. Under this arrangement, franchisees are granted the right to operate a center using the "dermani MEDSPA®" system for an initial term of ten (10) years with the right to renew for two (2) additional consecutive successor terms of five (5) years each subject to certain conditions being met. The Company is required to provide initial training regarding the system and provide assistance in accordance to the Franchise Agreement.

The Company recognizes revenue from franchise fees during the year in which the related performance obligations are provided to franchisees. The Company has identified three performance obligations delivered as part of the franchise fee related to initial training of franchisees, store location assistance, and rights to intellectual property.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

The performance obligation of training franchisees is satisfied at the time of training, and the related revenue is recognized at the time initial training is completed. The transaction price allocated to pre-opening training was determined using the cost plus margin approach.

The performance obligation of store location assistance is satisfied at the time a franchisee's agreement is signed and the related revenue is recognized at the time the agreement is signed. The transaction price allocated to store location assistance was determined using the cost plus margin approach.

The performance obligation of providing the right to intellectual property is simultaneously received and consumed by franchisees, and is thus recognized ratably over the course of the ten year franchise agreement. The transaction price allocated to intellectual property is determined using the residual approach.

Royalty Fees

Revenues from royalties are collected each week based on weekly sales, and are therefore recognized each week as sales take place.

Royalty fees are due by Wednesday of each week for the prior week through Sunday. The required weekly royalty fee is 5.00% of the franchisee weekly sales level. If a franchise closes before the end of their contract term, all royalty fees are due within 15 days.

System Marketing Fees

System marketing fees are collected each week based on weekly sales. These revenues are obligated to be used for advertising and related operating expenses for the franchisees and other corporate medical spa locations. Amounts received are recognized as revenue each week as sales take place.

System marketing fees are due by Wednesday of each week for the prior week through Sunday. The Company charges up to 2%, currently set at 0.25%, of gross revenues per week as system marketing fees. If a franchise closes before the end of their contract term, all system marketing fees are due within 15 days.

All system marketing fees collected are contractually restricted for the benefit of franchisees and the Company recognizes an equal and offsetting liability on the Company's balance sheet for all amounts received. Additionally, this results in recording an equal and offsetting expense, such that there is no impact to overall profitability of the Company from these revenues. In addition, advertising costs are expensed as incurred.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

Technology and Software Fees

Revenues from technology and software fees are collected each month at rates set in the Franchise Disclosure Document (FDD). Technology and software revenues along with the related expenditure for these services are recognized monthly as the services are provided to the franchisee.

Training Fees

In addition to training franchisees, during 2021, the Company set up a training academy to provide continued medical spa training to the general public. Training class revenue is recognized when the event occurs and until then, amounts collected are included in "Unearned Revenue".

3. FURNITURE AND EQUIPMENT

Balances of major classes of depreciable assets as of December 31, 2021 are as follows:

Asset Class	2021
Computers and printers	\$ 1,749
Furniture and equipment	12,557
Medical devices & machinery	45,716
	<u>60,022</u>
Less: accumulated depreciation	(2,699)
Total	<u>\$ 57,323</u>

Depreciation expense for the year ended December 31, 2021 was \$2,699.

4. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31, 2021:

	2021
Marketing funds (a)	\$ 31,147
Accrued legal fees	6,745
Accrued payroll costs	3,617
Other	10,485
Total accrued liabilities	<u>\$ 51,994</u>

(a) Consists primarily of liabilities recognized to reflect the contractual restriction that all funds collected in the Marketing Funds must be spent for designated purposes. See Note 2.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

5. RELATED PARTY ACTIVITY

In 2019, Renew Laser & Cosmetics, LLC (Johns Creek), a related entity wholly owned by the sole member of the Company, made advances in the amount of \$40,000 to the Company. In 2021, Johns Creek made additional advances in the amount of \$30,000 to the Company. The funds were provided by Johns Creek to meet current obligations and will be repaid as funds become available. The advance from Johns Creek is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year.

In 2021, dermani Buckhead (Buckhead), a related entity wholly owned by the sole member of the Company, made advances in the amount of \$20,000 to the Company. The funds were provided by Buckhead to meet current obligations and will be repaid as funds become available. The advance from Buckhead is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year.

The Company executed a Trademark and System License Agreement (the "Trademark Agreement") on April 22, 2019 with Lazcoz, LLC (the "Licensor"). The Licensor is the owner of a format and system (the "System") relating to the establishment, operation, management and franchising of medical spa centers, which operate under the "dermani MEDSPA®" name and the System. The Company has the right to sublicense the properties to third-party franchisees for the operation of dermani MEDSPA® pursuant to the execution of an approved Franchise Agreement. The Trademark Agreement commenced on the effective date of the Trademark Agreement and shall remain in effect for twenty (20) years (April 22, 2039) and shall renew automatically for successive one (1) year periods unless terminated in accordance with the Trademark Agreement.

6. OPERATING LEASE

Lease Agreement

The Company executed a lease for office space which commenced on March 26, 2021 with a 63 month term. The current lease expires June 25, 2026. Provisions in the lease allow for a suspension of the initial 3 months of lease payments after which the lease expense is \$3,612 per month.

Rent expense was \$49,465 for the year ended December 31, 2021.

Future lease payments are as follows:

2022	\$	44,161
2023		44,161
2024		44,161
2025		44,161
2026		25,761
	\$	<u>202,405</u>

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. CONTINGENCIES

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a pandemic and the President of the United States declared a national emergency. Through December 31, 2021, the COVID-19 pandemic had a limited financial impact on the Company. Should the COVID-19 pandemic continue for a prolonged period or impact the Company more significantly than it has to date, the Company's financial condition and cash flows could be impacted in more significant ways.

Legal Claims

Occasionally, in the ordinary course of business, the Company may be party to legal claims or proceedings of which the outcomes are subject to significant uncertainty. In accordance with FASB Accounting Standards Codification (ASC) 450, Contingencies, the Company will assess the likelihood of an adverse judgement for any outstanding claim, as well as, ranges of probable losses. When it has been determined that a loss is probable and the amount can be reasonably estimated, the Company will record a liability. For the year ended December 31, 2021, there were no material legal contingencies requiring accrual or disclosure.

8. INCOME TAXES

The Company operates as a limited liability company treated as a disregarded entity for tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the Member and no provision or liability for Federal Income Taxes is included in these financial statements. The Member's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2021, no taxing authorities have proposed any adjustment to the Member's tax position.

9. RIGHT OF FIRST REFUSAL

The Company has the "right of first refusal," which gives them the right to purchase and acquire a franchised business under various circumstances, as more fully described in the Franchise Disclosure Document. Management does not plan to exercise their right of first refusal.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021

10. UNEARNED REVENUE

Initial franchise fees are received upon the franchisee's signing of a franchise agreement. Three performance obligations are identified related to initial franchise fees as described in Note 2. The following table provides information about significant changes in the unearned revenue for the year ended December 31, 2021:

	Balance at beginning of period	New billings	Revenue recognized	Balance at end of period
Franchise sales	\$ 80,458	\$ 149,000	\$ (19,067)	\$ 210,391
Training revenue	-	233,621	(225,821)	7,800
	<u>\$ 80,458</u>	<u>\$ 382,621</u>	<u>\$ (244,888)</u>	<u>\$ 218,191</u>

11. OPERATING REVENUES

The Company's revenue is based on the timing of satisfaction of performance obligations. The Company has applied the optional exemption under paragraph 606-10-50-14A(a). The right to the dermani MEDSPA trademark is recognized over time as a 5% royalty fee is collected on total sales. The contract length is 10 years for the use of the trademark. Remaining terms range from 8-10 years. \$210,391 of initial franchise fees received have not been earned by the Company as of December 31, 2021. The timing of satisfaction of performance obligations as of December 31, 2021 is as follows:

	2021
Performance obligations satisfied at a point in time	\$ 425,655
Performance obligations satisfied over time	<u>6,567</u>
Total income	<u>\$ 432,222</u>

12. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 16, 2022, the date these financial statements were available to be issued and determined that no additional events are required to be disclosed or recorded in the financial statements.

DERMANI MEDSPA FRANCHISING, LLC

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2020

DERMANI MEDSPA FRANCHISING, LLC

TABLE OF CONTENTS

Independent Auditors' Report	1-2
Financial Statements	
Balance Sheet	3
Statement of Operations and Changes in Member's Deficit	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-11



NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200
Kennesaw, Georgia 30144
770-422-0598 FAX 678-214-2355
kennesaw@nicholscauley.com

INDEPENDENT AUDITORS' REPORT

To the Members of
dermani MEDSPA Franchising, LLC
Duluth, Georgia

We have audited the accompanying financial statements of dermani MEDSPA Franchising, LLC, which comprise the balance sheet as of December 31, 2020, and the related statements of operations and changes in member's deficit and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

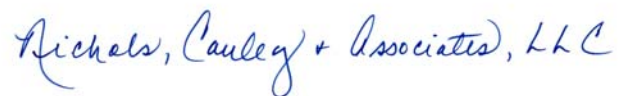
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Atlanta | Calhoun | Canton | Dalton | Dublin
Fayetteville | Kennesaw | Rome | Warner Robins

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of dermani MEDSPA Franchising, LLC as of December 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Nichols, Cauley + Associates, LLC". The signature is written in a cursive, flowing style.

Nichols, Cauley and Associates, LLC
Kennesaw, Georgia
February 16, 2021

DERMANI MEDSPA FRANCHISING, LLC**BALANCE SHEET****DECEMBER 31, 2020**

Assets

Current assets

Cash and cash equivalents	\$	69,437
Accounts receivable		240
Prepaid assets		<u>2,292</u>
Total current assets		<u>71,969</u>

Total Assets	\$	<u>71,969</u>
--------------	----	---------------

Liabilities and Member's Deficit

Liabilities

Current liabilities

Accrued expenses	\$	13,595
Unearned revenue - Initial Franchise Fees, current portion		<u>14,400</u>
Total current liabilities		<u>27,995</u>

Long term liabilities

Due to related party		40,000
Unearned revenue - Initial Franchise Fees, net of current portion		<u>66,058</u>
Total long term liabilities		<u>106,058</u>

Total Liabilities		<u>134,053</u>
-------------------	--	----------------

Member's Deficit		<u>(62,084)</u>
------------------	--	-----------------

Total Liabilities and Member's Deficit	\$	<u>71,969</u>
--	----	---------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF OPERATIONS AND CHANGES IN MEMBER'S DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenue

Initial franchise fee income	\$ 9,042
Royalty fee income	2,800
System marketing fee income	4,415
Technology fee income	<u>702</u>
Total revenue	<u>16,959</u>

General and Administrative Expenses

Advertising and marketing	44,218
Business licenses and permits	175
Computer, software and internet expense	4,040
Legal and professional services	52,865
Meals and entertainment	588
Merchant processing fees	<u>62</u>
Total general and administrative expenses	<u>101,948</u>

Net loss	<u>(84,989)</u>
----------	-----------------

Member's Equity, December 31, 2019, prior to restatement	55,113
---	--------

Restatement	<u>(32,208)</u>
-------------	-----------------

Member's Equity, December 31, 2019, after restatement	22,905
--	--------

Contributions	-
---------------	---

Distributions	<u>-</u>
---------------	----------

Member's Deficit, December 31, 2020	<u><u>\$ (62,084)</u></u>
--	---------------------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

Net loss	\$ (84,989)
Changes in operating assets and liabilities	
Accounts receivable	(240)
Accrued expenses	10,528
Unearned revenue	45,958
Net cash used by operating activities	<u>(28,743)</u>

Net decrease in cash and cash equivalents	(28,743)
---	----------

Cash and cash equivalents, at December 31, 2019	<u>98,180</u>
--	---------------

Cash and cash equivalents, at December 31, 2020	<u><u>\$ 69,437</u></u>
--	-------------------------

The accompanying notes and independent auditors' report are an integral part of these financial statements.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Company's Business

dermani MEDSPA Franchising, LLC, a Georgia limited liability company (the "Company") was formed under the laws of the state of Georgia on January 16, 2019. The Company's planned principal operations is the franchising of dermani MEDSPA centers that will provide clients with laser hair removal, skin rejuvenation, chemical peels, dermaplaning, injections and other products.

Basis of Accounting

The financial statements of the Company are presented using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

For the year ended December 31, 2020, the Company's sole source of income is from two franchisees.

Cash and Cash Equivalents

The Company considers cash and cash equivalents to consist of cash at banks and all highly liquid investments with original maturities of three months or less. The Company maintains its cash balances at one bank, the total of which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2020, the Company's cash balances were fully insured.

Royalties Receivable and Allowance for Doubtful Accounts

Royalties are recognized when billed. Royalties receivables are stated at cost, net of any allowance for doubtful accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the failure of franchisees to make required payments. The Company reviews the royalties receivable on a periodic basis and makes allowances when there is a substantial doubt as to the collectability of individual balances. The evaluation process includes many factors, including age of balance, payment history, credit worthiness and current economic trends. Based on this process, management did not provide for an allowance for doubtful accounts as of December 31, 2020.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Company is a single member LLC. Accordingly, it is treated as a disregarded entity for federal and state income taxes. As such, all income and losses are reported by Lazcoz, LLC, the single member.

Advertising

Advertising costs are expensed as incurred and are made at the Company's discretion. Advertising expense for the year ended December 31, 2020 was \$44,218.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2014-09 and subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. ASU 2014-09 also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company recognizes revenue from initial franchise fees during the year in which the related performance obligations are provided to franchisees. The Company has identified three performance obligations delivered as part of the initial franchise fee related to initial training of franchisees, store location assistance, and rights to intellectual property.

The performance obligation of training franchisees is satisfied at the time of training, and the related revenue is recognized at the time initial training is completed. The transaction price allocated to pre-opening training was determined using the cost plus margin approach.

The performance obligation of store location assistance is satisfied at the time a franchisee's agreement is signed and the related revenue is recognized at the time the agreement is signed. The transaction price allocated to store location assistance was determined using the cost plus margin approach.

The performance obligation of providing the right to intellectual property is simultaneously received and consumed by franchisees, and is thus recognized ratably over the course of the ten year franchise agreement. The transaction price allocated to intellectual property is determined using the residual approach.

Revenues from royalties and system marketing fees are collected each week based on weekly sales, and are therefore recognized each week as sales take place. Revenues from technology fees are collected and recognized each month at rates set in the Franchise Disclosure Document (FDD).

Continuing royalty fees are due by Wednesday of each week for the prior week through Sunday. The required weekly royalty fee is 5.00% of the franchisee weekly sales level. If a franchise closes before the end of their contract term, all royalty fees are due within 15 days. Termination fees of \$0 were included in royalty fee income during 2020.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

System marketing fees are also due by Wednesday of each week for the prior week through Sunday. The Company charges up to 2%, currently set at 0.25%, of gross revenues per week as system marketing fees. If a franchise closes before the end of their contract term, all system marketing fees are due within 15 days. Termination fees of \$0 were included in system marketing fee income during 2020.

Technology fees are due each month at the current technology fee rate. Rates for the year ended December 31, 2020 were \$300 per month. The Company reserves the right to increase the rates by 20% each year, but the technology fees will in no event ever exceed \$500 per month.

Trademark

The trademark name "dermani MEDSPA®" was originally acquired in 2014 by the Member's owners for approximately \$600. The trademark was transferred to the Company effective April 22, 2019 by a Trademark and System License agreement (See Note 3) and there was no cost capitalized relating to this trademark.

2. DUE TO RELATED PARTY

In 2019, Renew Laser & Cosmetics, LLC (Johns Creek), a related entity wholly owned by the sole member of the Company, made advances in the amount of \$40,000 to the Company. The funds were provided by Johns Creek to meet current obligations and will be repaid as funds become available. The advance from Johns Creek is non-interest bearing and has been classified as a long-term liability in the accompanying balance sheet because there is no requirement for the funds to be repaid during the next year.

3. CONTINGENCIES

COVID-19

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred domestically in the United States and globally, including mandates from federal, state and local authorities, leading to an overall decline in economic activity. It is reasonably possible that the operations of the franchisees will be materially and adversely impacted in the near term as a result of these conditions, which will in turn impact the Company. The ultimate impact of COVID-19 on the financial performance of the Company cannot be reasonably estimated at this time.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CONTINGENCIES (CONTINUED)

Trademark and System License Agreement

The Company executed a Trademark and System License Agreement (the "Trademark Agreement") on April 22, 2019 with Lazcoz, LLC (the "Licensor"). The Licensor is the owner of a format and system (the "System") relating to the establishment, operation, management and franchising of medical spa centers, which operate under the "dermani MEDSPA®" name and the System. The Company has the right to sublicense the properties to third-party franchisees for the operation of dermani MEDSPA® pursuant to the execution of an approved Franchise Agreement. The Trademark Agreement commenced on the effective date of the Trademark Agreement and shall remain in effect for twenty (20) years (April 22, 2039) and shall renew automatically for successive one (1) year periods unless terminated in accordance with the Trademark Agreement.

Legal Claims

Occasionally, in the ordinary course of business, the Company may be party to legal claims or proceedings of which the outcomes are subject to significant uncertainty. In accordance with FASB Accounting Standards Codification (ASC) 450, Contingencies, the Company will assess the likelihood of an adverse judgement for any outstanding claim, as well as, ranges of probable losses. When it has been determined that a loss is probable and the amount can be reasonably estimated, the Company will record a liability. For the year ended December 31, 2020, there were no material legal contingencies requiring accrual or disclosure.

4. INCOME TAXES

As discussed in the Summary of Significant Accounting Policies (Note 1), the Company operates as a limited liability company treated as a disregarded entity for tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the Member and no provision or liability for Federal Income Taxes is included in these financial statements. The Member's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2020, no taxing authorities have proposed any adjustment to the Member's tax position.

5. RIGHT OF FIRST REFUSAL

The Company has the "right of first refusal," which gives them the right to purchase and acquire a franchised business under various circumstances, as more fully described in the Franchise Disclosure Document. Management does not plan to exercise their right of first refusal.

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

6. FRANCHISE AGREEMENTS

Franchise agreements provide for the payment of initial fees of \$45,000 and royalties of five percent (5%) of gross revenues as defined by the Franchise Agreement. Under this arrangement, franchisees are granted the right to operate a center using the "dermani MEDSPA®" system for an initial term of ten (10) years with the right to renew for two (2) additional consecutive successor terms of five (5) years each subject to certain conditions being met. The Company is required to provide initial training regarding the system and provide assistance in accordance to the Franchise Agreement.

There was one franchise sold in the year ended December 31, 2020. One franchisee opened one additional location in the year ended December 31, 2020.

For the year ended December 31, 2020, there were two franchise centers in operation.

7. FRANCHISE FEE REVENUE

Initial franchise fees are received upon the franchisee's signing of a franchise agreement. Three performance obligations are identified related to initial franchise fees as described in Note 1. The following table provides information about significant changes in the unearned revenue for the year ended December 31, 2020:

Unearned revenue, beginning of year (as restated)	\$ 34,500
Cash received during the period	
for initial franchise fees	55,000
Revenue recognized	<u>(9,042)</u>
Unearned revenue, end of year	<u><u>\$ 80,458</u></u>

8. OPERATING REVENUES

The Company's revenue is based on the timing of satisfaction of performance obligations for which all performance obligations are satisfied at a point in time for the year ended December 31, 2020.

	<u>2020</u>
Performance obligation satisfied at a point in time	\$ 16,417
Performance obligations satisfied over time	<u>542</u>
Total income	<u><u>\$ 16,959</u></u>

DERMANI MEDSPA FRANCHISING, LLC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through February 16, 2021, the date these financial statements were available to be issued and determined that no additional events are required to be disclosed or recorded in the financial statements.

10. RESTATEMENT

During 2020, the Company recorded a restatement of member's equity in the amount of \$32,208 to adjust the unearned portion of revenue for initial franchise fees received and prepaid assets as of December 31, 2019.

The effects of the corrections are listed below:

Beginning member's equity before restatement	\$ 55,113
Restatement - prepaid assets	2,292
Restatement - unearned revenue	<u>(34,500)</u>
Total restatement	<u>(32,208)</u>
Beginning member's equity after restatement	<u><u>\$ 22,905</u></u>
Prior year net loss before restatement	\$ (74,037)
Restatement - prepaid assets	2,292
Restatement - unearned revenue	<u>(34,500)</u>
Total restatement	<u>(32,208)</u>
Prior year net loss after restatement	<u><u>\$ (106,245)</u></u>

EXHIBIT H
TABLE OF CONTENTS FOR MANUALS

DERMANI MEDSPA FRANCHISE OPERATIONS MANUAL

TABLE OF CONTENTS

Section A: Introduction

Introduction	1
Welcome Letter	1
dermani MEDSPA® Mission Statement	1
Core Values	1
History of dermani MEDSPA®	1
Services Provided to the dermani MEDSPA® Franchisee	1
Advertising Materials and Sales Aids	◀ 1
Approved Suppliers	◀ 1
Corporate Website	◀ 1
Franchisee Councils	◀ 1
Initial Training	◀ 1
Ongoing Research and Development	◀ 1
Ongoing Training and Support	◀ 1
On-Site Training	◀ 1
Protected Area	◀ 1
Site Selection	◀ 1
Use of Trademarks	◀ 1
Responsibilities of the dermani MEDSPA® Franchisee	1
Responsibilities to Your Clients	◀ 1
Responsibilities to Your Team	◀ 1
Responsibilities to Your Fellow Franchisees	◀ 1
Responsibilities to the Franchisor	◀ 1
Visits from the Corporate Office	1
Paying Other Fees	1
Additional Training	◀ 1
Additional On-Site / Remedial Training	◀ 1
Annual Meeting	◀ 1
Transfer Fee	◀ 1
Renewal Fee	◀ 1
Relocation Fee	◀ 1
Insufficient Funds	◀ 1
Interest	◀ 1
Step-In Management Fee	◀ 1
Social Media/Technology Fee	◀ 1
Modernization or Replacement	◀ 1
Costs and Attorneys' Fees	◀ 1
Audit	◀ 1
Insurance Fees	◀ 1
Technology Maintenance and Upgrades	◀ 1
Supplier/Product Testing	◀ 1
Indemnification	◀ 1

Section B: Pre-Opening Procedures

Forming a Management Agreement	1
Pre-Opening Checklist	1

Development Cost Summary Sheet ◀	2
Establishment of Business Form	2
Developing Your Site	2
Site Selection Process ◀	2
Site Selection Criteria ◀	2
Market Analysis ◀	2
Site Acceptance ◀	2
Lease Considerations ◀	2
Negotiating a Lease ◀	2
Working with an Architect ◀	2
Selecting a General Contractor ◀	2
Building Out the Facility ◀	2
Build-Out Specifications ◀	2
Sample Floor Plan ◀	2
Design Specifications ◀	2
Conducting a Competitive Analysis	2
Review the Results ◀	2
Required List of Equipment and Supplies	2
Initial Inventory/Supplies List	2
Contracting with Required Utilities and Services	2
Obtaining Required Licenses, Certifications, and Permits	2
State Regulatory Agency ◀	2
Setting Up Bank Accounts	2
Procuring Required Insurance Policies	2
Meeting Your Tax Obligations	2
Employer Identification Number ◀	2
Federal Taxes ◀	2
State Taxes ◀	2
Conducting a Grand Opening	2
Planning ◀	2

Section C: Human Resources

Human Resources	2
EEOC Guidelines for Hiring Employees	2
Employers Covered by EEOC-Enforced Laws ◀	2
How Employees Are Counted ◀	2
Record Keeping Requirements ◀	2
Reporting Requirements ◀	2
Charge Processing Procedures ◀	2
Mediation ◀	2
Remedies ◀	2
Regulatory Enforcement Fairness Act ◀	2
Technical Assistance ◀	2
Informal Guidance ◀	2
Publications ◀	2
Wage and Labor Laws	2
Fair Labor Standards Act ◀	2
What the FLSA Requires ◀	2
What the FLSA Does Not Require ◀	2
FLSA Minimum Wage Poster ◀	2
Other Mandatory Labor Law Posters ◀	2

Laws Regarding Harassment	3
Sexual Harassment ◀	3
Racial and Ethnic Harassment ◀	3
Pregnancy Discrimination ◀	3
Religious Accommodation ◀	3
Immigration Reform/Control Act	3
Americans with Disabilities Act (ADA)	3
Who Is Protected? ◀	3
What Is Covered? ◀	3
Ensuring Compliance ◀	3
ADA Survey and Enhancements ◀	3
ADA Resources ◀	3
Profile of the Ideal Employee	3
Job Descriptions	3
Clinical Director ◀	3
Medical Director ◀	3
Front Desk ◀	3
Esthetician ◀	3
Recruiting Employees	3
Generating Applicants ◀	3
Screening ◀	3
The Interview Process	3
Interviewing Do's and Don'ts ◀	3
Sample Interview Questions ◀	3
Reference Check Procedures ◀	3
Testing Procedures/Required Licenses and Certifications ◀	3
Job Offer ◀	3
Orienting New Employees	3
Forms ◀	3
Policies and Benefits ◀	3
Overview of Operation ◀	3
Training Employees	3
Initial Training ◀	3
Ongoing Training Process ◀	3
Personnel Policies	3
Scheduling Employees	3
Time Tracking Procedures	3
Uniform and Dress Code	3
Conducting Performance Evaluations	3
Preparation ◀	3
After the Review Meeting ◀	3
Progressive Discipline	3
Termination/Separation	3
Termination ◀	3
Resignation ◀	3

Section D: Daily Procedures

Suggested Hours of Operation	3
Manager Duties ◀	3
Front Desk Procedures ◀	3
Provider Procedures ◀	3

Weekly / Monthly Duties	4
New Client Paperwork	4
Client Documents ◀	4
Client Service Procedures	4
Medspa Etiquette ◀	4
Communicating Pertinent Client Information ◀	4
Answering the Phone ◀	4
Client Retention Techniques ◀	4
Handling Client Complaints ◀	4
Maintaining a Positive Environment	4
Lights, Music, and Temperature ◀	4
Facility Maintenance ◀	4
Booking Appointments	4
Booking Appointments by Phone ◀	4
Booking Appointments in Person ◀	4
Booking Appointments Online ◀	4
Entering Appointments into the Booking System ◀	4
Confirmation Calls ◀	4
Checking In Clients and Members ◀	4
Checking Out Clients and Members ◀	4
Botox® Appointments ◀	4
Follow-Up Post Treatment ◀	4
Cancellations and Rescheduling	4
Cancelling an Appointment in System ◀	4
Rescheduling an Appointment in System ◀	4
Missed Visits ◀	4
Transacting Sales	4
Using the POS System ◀	4
Accepting Payment ◀	4
Gift Cards ◀	4
Adjusting an Account Balance ◀	4
Membership Redemption and Discounts ◀	4
Botox® Checkout Procedure ◀	4
Alle Rewards Program through Allergan ◀	4
End-of-Week Reconciliation ◀	4
Collection Procedures ◀	4
Membership Cancel and Freeze	4
Membership Reciprocity	4
Account Reviews	4
Inventory Management	4
Ordering Procedures ◀	4
Using Approved Sources of Supply ◀	4
Receiving Procedures ◀	4
Rotating Inventory ◀	4
Storing Products ◀	4
Conducting Physical Inventory ◀	4
Conducting Inventory for Injectables/Consumables ◀	4
Audit and Reconciliation to correct quantities ◀	4
Generating Necessary Reports	4
Franchise Reporting Requirements	4
Royalty Payment ◀	4

Advertising Contributions ◀	5
Financial Reports ◀	5
Electronic Funds Transfer ◀	5
Financial Primer	5
Required Cleaning and Maintenance	5
Cleaning and Maintenance ◀	5
Machine Maintenance ◀	5
Steamer Cleaning ◀	5
HydraFacial© Handpiece Cleaning ◀	5
Safety and Security	5
Responsibility ◀	5
Orientation ◀	5
Natural Disasters ◀	5
Robbery ◀	5
Burglary ◀	5
Fire Safety ◀	5
Workplace Hazards ◀	5
Accident and Incident Reporting and Investigation ◀	5
Workers 'Compensation Issues ◀	5
Federal Employment Safety Laws/OSHA ◀	5
Safety Data Sheets (SDS) ◀	5
Biohazard Disposal ◀	5
Eye Wash Station Instructions ◀	5
Esthetic Treatment Safety Protocol ◀	5
Sanitation ◀	5

Section E: Sales Procedures

Sales Procedures	5
Establishing Sales Goals	5
Understanding the Competition	5
Understanding the dermani MEDSPA® Services	5
Laser Hair Removal ◀	5
Skin Rejuvenation ◀	5
hydraFacial© ◀	5
Cosmetic Injectables ◀	5
Skin Tightening ◀	5
Microneedling ◀	5
Receiving Incoming Calls	5
Handling Phone Inquiries ◀	5
Properly Handling Walk-In Prospects	5
Consultation	5
Membership Presentation	5
Overcoming Typical Objections ◀	5
Transacting a Membership Sale ◀	5
Selling Complementary Services to Existing Clients	5
Ineligible for Treatment	5
Retail Sales	5
Esthetician's Recommendations ◀	5
FAB'S ◀	5
Merchandising Retail Products	5
Required Product Lines ◀	5

Section F: Service Procedures

Service Procedures	6
Client Service Procedures	6
Greeting Clients ◀	6
How to Check the Status of Client's Account ◀	6
Providing Directions and Guidance ◀	6
Procedure Consent Forms / Intake Forms	6
Room and Table Setup	6
Flipping the Room ◀	6
Skin Assessment, Consultation and History	6
Injectables Consultation and Assessment	6
Esthetician Treatment Protocols	6
Before and After Pictures	6
Uploading Photos ◀	6
Documentation Protocols	6
Injectables Documentation	6
Post-Treatment Directions	6
Clinical Equipment Maintenance	6
Quality Assurance Program	6
Purpose ◀	6
Chart Review ◀	6
Recertification of Estheticians for Microneedling and Dermaplaning ◀	6

Section G: Marketing and Promotion

Developing a Marketing Plan	6
Marketing Tracking ◀	6
Promoting Dermani MEDSPA in Your Area	6
Use of Media ◀	6
Electronic Media ◀	6
Traditional Media ◀	6
Client Referral Program ◀	6
Marketing to Existing Clients ◀	6
Social Media	6
Fostering Relationships with Medical Professionals	6
Guidelines for Using the Dermani MEDSPA Marks	6
Logo and Signage Specifications	6
Signage Requirements ◀	6
Business Cards and Letterhead ◀	6
Required Advertising Expenditures	6
Marketing Fund ◀	6
Local Advertising ◀	6
Grand Opening Advertising ◀	6
Public Relations	6
Community Involvement	6
Obtaining Advertising Approval	6

EXHIBIT I
STATE-SPECIFIC DISCLOSURES

1. Illinois

ILLINOIS ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 805 ILCS 15/2, 5 (West 2018) and Medical Practice Act of 1987, 225 ILCS 60/ (West 2018).

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE MEDICAL SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS. RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

Item 5 Additional Disclosure:

Payment of the Initial Franchise Fee is deferred until such time as the Franchisor completes its initial obligations and Franchisee is open for business. The deferral of the Initial Franchise Fee is required by the Illinois Attorney General's Office based on our financial statements. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

Item 17, Additional Disclosures. The following statements are added to Item 17:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

Exhibit M of the FDD, the "Franchisee Compliance Certificate," is amended to include the following provision:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf

of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

EXHIBIT J
STATE-SPECIFIC AGREEMENT AMENDMENTS

1. Illinois

ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 805 ILCS 15/2, 5 (West 2018) and Medical Practice Act of 1987, 225 ILCS 60/ (West 2018).

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE MEDICAL SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS. RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

1. Notwithstanding anything to the contrary contained in the Franchise Agreement, to the extent that the Franchise Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Franchise Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of the Initial Franchise Fee is deferred until such time as the Franchisor completes its initial obligations and Franchisee is open for business. The deferral of the Initial Franchise Fee is required by the Illinois Attorney General's Office based on our financial statements. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

The following statement shall be deemed to amend the Franchise Agreement, and the Franchisee Compliance Certification attached to the dermani MEDSPA FDD at Exhibit M:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchisee

seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
dermani MEDSPA® Franchising LLC

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

ILLINOIS ADDENDUM TO AREA DEVELOPMENT AGREEMENT

To the extent the Illinois Franchise Disclosure Act, Ill. Comp. Stat. §§705/1 – 705/44 applies, the terms of this Addendum apply.

ILLINOIS PROHIBITS THE CORPORATE PRACTICE OF MEDICINE. UNLICENSED INDIVIDUALS AND ENTITIES ARE PROHIBITED FROM OWNING, OPERATING AND MAINTAINING AN ESTABLISHMENT FOR THE STUDY, DIAGNOSIS AND TREATMENT OF HUMAN AILMENTS AND INJURIES, WHETHER PHYSICAL OR MENTAL. See Medical Corporation Act, 805 ILCS 15/2, 5 (West 2018) and Medical Practice Act of 1987, 225 ILCS 60/ (West 2018).

IF YOU ARE NOT LICENSED/CERTIFIED IN ILLINOIS TO PROVIDE SERVICES OF THE NATURE DESCRIBED IN THIS DISCLOSURE DOCUMENT, YOU MUST NEGOTIATE THE TERMS OF A MANAGEMENT AGREEMENT WITH LICENSED PROFESSIONALS WHO WILL PROVIDE THE MEDICAL SERVICES THAT YOUR FRANCHISED BUSINESS OFFERS. RETAIN AN EXPERIENCED ATTORNEY WHO WILL LOOK OUT FOR YOUR BEST INTERESTS IN THIS BUSINESS VENTURE.

1. Notwithstanding anything to the contrary contained in the Area Development Agreement, to the extent that the Area Development Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

Illinois law governs the Area Development Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in an area development agreement that designates jurisdiction or venue outside the State of Illinois is void. However, an area development agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of an area development agreement are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

Payment of the Development Fee is deferred until such time as the Franchisor completes its initial obligations and the first Franchised Business opens for business. The deferral of the Development Fee is required by the Illinois Attorney General's Office based on our financial statements. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

The following statement shall be deemed to amend the Area Development Agreement, and the Franchisee Compliance Certification attached to the dermani MEDSPA FDD at Exhibit M:

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the

inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Any capitalized terms that are not defined in this Addendum shall have the meaning given them in the Franchise Agreement.

3. Except as expressly modified by this Addendum, the Franchise Agreement remains unmodified and in full force and effect.

This Addendum is being entered into in connection with the Franchise Agreement. In the event of any conflict between this Addendum and the Franchise Agreement, the terms and conditions of this Addendum shall apply.

IN WITNESS WHEREOF, the undersigned have executed this Addendum as of the date Franchisor signs below.

FRANCHISOR:
dermani MEDSPA® Franchising LLC

FRANCHISEE:

By: _____
Its: _____
Date: _____

By: _____
Its: _____
Date: _____

EXHIBIT K
RELEASE AGREEMENT

The following is our current general release agreement that we expect to include in a release that a franchisee, developer, and/or transferor may sign as part of a renewal or an approved transfer. We may, in our sole discretion, periodically modify the release agreement.

General Release

THIS GENERAL RELEASE (the “**Release**”) is made and entered into on this _____ day of _____, 20____ (the “**Effective Date**”), by and between:

- dermani MEDSPA® Franchising LLC, a Florida limited liability company whose principal place of business is 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786 (“**Franchisor**”); and
- _____ a [resident of] [corporation organized in] [limited liability company organized in] _____ and having offices at _____
[(“**Franchisee**”)] [(“**Transferor**”)].

BACKGROUND:

- A. Franchisor and Franchisee are party to a Franchise Agreement dated _____ (the “**Franchise Agreement**”);
- B. Franchisor and Franchisee have agreed, pursuant to the Franchise Agreement, [to renew or extend Franchisee’s rights under the Franchise Agreement (the “**Renewal Transaction**”)] [to permit a transfer or assignment of _____ pursuant to Section 12 of the Franchise Agreement (the “**Transfer Transaction**”)], and in connection with the [Renewal Transaction] [Transfer Transaction], Franchisor and [Franchisee] [Transferor] have agreed to execute this Release, along with such other documents related to the approved [Renewal Transaction] [Transfer Transaction].

NOW, THEREFORE, the parties, in consideration of the undertakings and commitments of each party to the other party set forth herein, hereby agree as follows:

1. **Release.** Franchisee [Developer], its officers and directors, its owners, guarantors, and their respective agents, heirs, administrators, successors, and assigns (the “**Franchisee Group**”), hereby forever release and discharge, and forever hold harmless Franchisor, its current and former affiliates and predecessors, and their respective shareholders, partners, members, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the “**Franchisor Group**”), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee [Developer] and/or the Franchisee Group had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise [Development] Agreement, the relationship created by the Franchise [Development] Agreement, or the development, ownership, or management of the Franchised Business or the dermani MEDSPA®. The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential)

including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise [Development] Agreement, the Franchised Business, or the dermani MEDSPA®, but only to the extent such liability relates to actions occurring prior to the Effective Date. The Franchisee Group and its owners represent and warrant that they have not made an assignment or any other transfer of any interest in the claims, causes of action, suits, debts, agreements, or promises described herein.

[Note for California Release – add the following:

Except as set forth herein, Franchisee Group expressly relieves and relinquishes all rights and benefits afforded by Section 1542 of the Civil Code of the State of California (“Section 1542”), and does so understanding and acknowledging the significance and consequence of such specific waiver of Section 1542. Section 1542 states as follows:

“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH EITHER PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AS OF THE DATE OF EXECUTION OF THIS AGREEMENT, WHICH IF KNOWN BY SUCH PARTY WOULD HAVE MATERIALLY AFFECTED THE TERMS OF THE AGREEMENT.”

Notwithstanding the provisions of Section 1542, and for the purpose of implementing the general release and discharges described in this paragraph, Franchisee Group expressly acknowledges that this Release is intended to include in its effect without limitation, all claims described in this paragraph which Franchisee Group does not know or suspect to exist in its favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claims.]

[Note for Maryland Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Maryland Franchise Registration and Disclosure Law.”]

[Note for Minnesota Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Minnesota Franchises Law.”]

[Note for Washington Release – add the following to Section 1, at the end of the first sentence: “excluding only such claims arising under the Washington Franchise Investment Protection Act.”]

2. General Terms.

2.1. This Release shall be binding upon, and inure to the benefit of, each party's respective heirs, representatives, successors, and assigns.

2.2. This Release may be signed in counterparts. This Release shall take effect upon its acceptance and execution by each of the parties hereto.

2.3. This Release may be executed in counterparts, and signatures exchanged by fax, and each such counterpart, when taken together with all other identical copies of this Release also signed in counterpart, shall be considered as one Release.

2.4. The captions in this Release are for the sake of convenience only, and shall neither amend nor modify the terms hereof.

2.5 The parties agree that all actions arising under this Release must be commenced in the state or federal court of general jurisdiction in which we have our principal place of business at the time the action is commenced, and each of the undersigned irrevocably submits to the jurisdiction of those courts and waives any objection he or she might have to either the jurisdiction of or venue in those courts. This Release shall be interpreted and construed under the laws of the State of Florida. In the event of any conflict of law, the laws of the State of Florida shall prevail (without regard to, and without giving effect to, the application of Florida conflict of law rules).

2.6. This Release constitutes the entire, full, and complete agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements and communications concerning the subject matter hereof. No other representations have induced the parties to execute this Release. The parties agree that they have not relied upon anything other than the words of this Release in deciding whether to enter into this Release.

2.7. No amendment, change, or variance from this Release shall be binding on either party unless in writing and agreed to by all of the parties hereto.

{Signatures on next page}

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Release in duplicate on the day and year first above written.

dermani MEDSPA® Franchising LLC
Franchisor

By:_____

By:_____

Name:_____

Name:_____

Title:_____

Title:_____

EXHIBIT L
WAIVER OF MANAGEMENT AGREEMENT

WAIVER OF MANAGEMENT AGREEMENT

This **Waiver of Management Agreement** (the “Agreement”) is made and entered into as of the _____ day of _____, 20____ (the “Effective Date”) (regardless of the dates of the parties’ signatures) by and between dermani MEDSPA® Franchising LLC, a Florida limited liability company located at 9100 Conroy Windermere Road, Suite 200 Windermere, Florida 34786 (“we,” “us,” or “our”), and _____, a _____ whose principal business address is _____ (“you” or “your”) (each individually referred to as a “Party” and collectively, the “Parties”).

RECITALS

WHEREAS, the Parties entered into that certain Franchise Agreement, effective _____ (the “Franchise Agreement”). All capitalized terms not otherwise defined in this Agreement shall have the meaning given to them in the Franchise Agreement;

WHEREAS, the Franchise Agreement requires you to enter into a Management Agreement with a PC prior to commencing operations of the Franchised Business, whereby you would provide to the PC management and administrative services and support consistent with the System and as outlined in our form of Management Agreement to support the PC’s medspa or medical center and its delivery of medical services and related products to patients, consistent with all applicable laws and regulations;

WHEREAS, the Franchise Agreement also states that, in the event applicable state law does not require the use of a Management Agreement between you and a PC, as determined by you and your counsel, we may waive this requirement provided that you execute this Agreement;

WHEREAS, you have engaged independent legal counsel and have determined that state laws and regulations permit you to directly own the Medspa and provide those certain professional services offered at the Medspa, and that the arrangement contemplated by the Management Agreement is not required; and

WHEREAS, you would like to directly own the Medspa and operate the Medspa as the Franchised Business.

NOW, THEREFORE, in receipt of the representations, warranties, covenants, and mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged by each Party hereto, the Parties hereby agree to be legally bound as follows:

AGREEMENT

1. **Representations and Warranties.** You understand that, by signing this Agreement, you are making a number of representations to us and that we are relying upon the accuracy and completeness of those representations in executing this Agreement. You acknowledge and represent as follows:

a. You have been afforded the opportunity to meet with independent legal counsel to discuss the terms of the Franchise Agreement, the Management Agreement, and this Agreement, and the business and affairs of the Medspa and the Franchised Business. You have been given access to information about the System, the Franchised Business, and the Medspa that you requested for purposes of this evaluation.

b. You have obtained independent legal advice with respect to your ownership and operation of the Medspa and the Franchised Business, and have determined that local, state, and federal laws and regulations permit you to directly own and operate the Medspa under the terms and conditions of the Franchise Agreement.

c. Your direct ownership of the Medspa and operation of the Medspa as the Franchised Business is in full compliance with all applicable laws, ordinances and regulations, including but not limited to those restricting the corporate practice of medicine or professional fee-splitting, the federal Anti-Kickback Statute and any equivalent state laws or regulations, any applicable self-referral law, including 42 U.S.C. § 1395nn, as amended (known as the “Stark Law”), HIPAA (as applicable), and those laws and regulations applicable to professional licensure, certification, medical spas, and medical supplies.

d. You will assume all obligations, rights, and responsibilities of the PC set forth in the Franchise Agreement, and shall continue to be responsible for all obligations, rights, and responsibilities related to the management and administration of the Medspa and operation of the Franchised Business. You will operate as the manager of the business and the Medspa, and will not be permitted to retain an independent management company.

e. You will obtain patient consent and/or authorization, as required by state and federal laws and regulations, to permit you to disclose information to us, as required by the Franchise Agreement.

f. It is your sole responsibility to ensure that the corporate and ownership structure and operation of the Medspa and the Franchised Business complies with all applicable local, state, and federal laws.

2. **Waiver of Management Agreement.** In reliance on the representations and warranties set forth in Section 1, we hereby waive the requirement that you enter into a Management Agreement with a PC as specified in Section 1.2 of the Franchise Agreement. We consent to your direct ownership and operation of the Medspa, and acknowledge that the Medspa is the Franchised Business.

3. **Indemnification.** You shall indemnify, defend, and hold harmless us, our affiliates, and our directors, officers, shareholders, partners, members, employees, agents, and attorneys, and the successors and assigns of any and all of them, from and against, and will reimburse us and any and all of them for, any and all loss, losses, damage, damages, claims, debts, demands, or obligations that are related to or are based this Agreement or your ownership or operation of the Medspa or the Franchised Business.

4. **Additional Provisions.**

a. **Effect on Other Agreements.** The conditions, provisions, and terms of the Franchise Agreement shall remain in full force and effect and, except as provided in Section 2 hereof, nothing in this Agreement shall be construed as a waiver of any right, power, or option reserved to us in the Franchise Agreement.

b. **Counterparts.** This Agreement may be executed by electronic transmission (including PDF or facsimile) in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

c. **Governing Law.** This Agreement will be construed and enforced in accordance with the internal laws of the State of Florida, without regard to its conflict of law principles.

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

ATTEST:

Witness

Witness

FRANCHISOR:
dermani MEDSPA® Franchising LLC
a Florida limited liability company

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

FRANCHISEE:

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

EXHIBIT M
FRANCHISEE COMPLIANCE CERTIFICATION

THE DERMANI MEDSPA® FRANCHISING LLC
FRANCHISEE COMPLIANCE CERTIFICATION

As you know, dermani MEDSPA® Franchising LLC(the “**Franchisor**”) and you are preparing to enter into a Franchise Agreement for the establishment and operation of a franchised business (the “**Franchised Business**”) that will manage a “dermani MEDSPA®” (the “dermani MEDSPA®”). The purpose of this Questionnaire is to determine whether any statements or promises were made to you that the Franchisor has not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

Another goal in asking you these questions is to be confident that you are prepared to become a dermani MEDSPA franchisee, that you understand the risks of owning your own business, and that we have complied with our obligations in providing you with the information required by law.

We may, in lieu of requesting that you review and sign this Certification, review these questions with you during our pre-closing meeting, and may take notes of your verbal responses for our records.

1. The following dates and information are true and correct:

- | | | |
|----|------------------------------|--|
| a. | _____,20__
Initials _____ | The date of my first face-to-face meeting with any person to discuss the possible purchase of a franchise for a dermani MEDSPA® business. |
| b. | _____,20__
Initials _____ | The date on which I received the Franchisor’s Franchise Disclosure Document (“ FDD ”). |
| c. | _____,20__
Initials _____ | The date when I received a fully completed copy (other than signatures) of the Franchise Agreement, Area Development Agreement (if applicable), and Addenda (if any) and all other documents I later signed. |
| d. | _____,20__
Initials _____ | The date on which I signed the Franchise Agreement and Area Development Agreement (if applicable). |

2. Have you received and personally reviewed the Franchise Agreement, Area Development Agreement (if applicable) and each Addendum and related agreement attached to them?

Yes _____ No _____

3. Do you understand all of the information contained in the Franchise Agreement, Area Development Agreement (if applicable), each Addendum and related agreement provided to you?

Yes _____ No _____

If no, what parts of the Franchise Agreement, Area Development Agreement, Addendum, and/or related agreement do you not understand? (Attach additional pages, as needed.)

4. Do you understand that the Franchise Agreement and Area Development Agreement (if applicable) contain a number of provisions that may affect your legal rights, including those with respect to the Premises or states for any judicial proceedings, a waiver of a jury trial, a waiver of punitive or exemplary damages, limitations on when claims may be filed, and other waivers and limitations?

Yes _____ No _____

5. Have you received and personally reviewed the FDD that was provided to you?

Yes _____ No _____

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

Yes _____ No _____

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

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, as needed.)

8. Have you reviewed the FDD, Franchise Agreement, and Area Development Agreement (if applicable) with an attorney, accountant, or other professional advisor and discussed the benefits and risks of establishing and operating the Franchised Business with these professional advisors?

Yes _____ No _____

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

Yes _____ No _____

9. Have you reviewed the FDD, Franchise Agreement, and Area Development Agreement (if applicable) with a health law attorney, and if not, do you understand the importance of obtaining counsel to advise you on various health laws that applicable to your Franchised Business, including, without limitation, those with respect to the corporate practice of medicine and fee-splitting regulations?

Yes _____ No _____

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

Yes _____ No _____

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

Yes _____ No _____

11. Has anyone speaking on the Franchisor's behalf made any statement or promise to you concerning the revenues, profits or operating costs of a dermani MEDSPA® or Franchised Business operated by the Franchisor or its franchisees that is different from the information contained in the FDD?

Yes _____ No _____

12. Has anyone speaking on the Franchisor's behalf made any statement or promise to you about the amount of money you may earn in operating the Franchised Business that is different from the information contained in the FDD?

Yes _____ No _____

13. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the total amount of revenue your Franchised Business will or may generate that is different from the information contained in the FDD?

Yes _____ No _____

14. Has anyone speaking on the Franchisor's behalf made any statement or promise regarding the costs you may incur in operating your Franchised Business that is different from the information contained in the FDD?

Yes _____ No _____

15. Has anyone speaking on the Franchisor's behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating Franchised Business?

Yes _____ No _____

16. Has anyone speaking on the Franchisor's behalf made any statement or promise, or made an agreement with you, concerning how much service and assistance the Franchisor will provide to you (for example, concerning advertising, marketing, training, and support) that is different from the information contained in the FDD?

Yes _____ No _____

17. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise before today?

Yes _____ No _____

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

Yes _____ No _____

19. Do you understand that the territorial rights you have been granted are subject to limitations and exceptions?

Yes _____ No _____

20. Do you understand that the Franchise Agreement contains the entire agreement between you and the Franchisor concerning the franchise rights for the Franchised Business, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding?

Yes _____ No _____

21. If you have answered “Yes” to any of questions 10-20, please provide a full explanation of each “yes” answer in the following blank lines. (Attach additional pages, as needed, and refer to them below.) If you have answered “no” to each of questions 10-20, then please leave the following lines blank.

22. Do you acknowledge and represent to Franchisor that (a) you or the entity that you form to be a franchisee or developer will be the employer of all of your employees and will have sole discretion and authority to hire, fire, discipline, compensate and schedule working hours for, all of your employees; and (b) Franchisor and Franchisor’s affiliates will have no control, or right to control, any of the employment actions or decisions in your business? *We recommend that you retain employment law counsel to advise you with your employment issues and questions.*

Yes _____ No _____

23. As you have reviewed the financial performance representations in Item 19 of the Disclosure Document, do you understand that:

- a. Item 19 contains only historical data from certain franchised and/or affiliate-owned dermani MEDSPA®s, and are not a promise, assurance or guaranty of future results of your Franchised Business;
- b. your results are likely to differ from the historical results reported;
- c. your results as a start-up business and Franchised Business are likely to be different than existing dermani MEDSPA®s; and
- d. you have had ample opportunity to review Item 19 with a lawyer, accountant and/or other advisor of your choosing.

Yes _____ No _____

24. Do you understand:

- a. that this franchise business may be impacted by other risks, including those outside your or our control such as local, national or global economic, political or social disruption, such as the 2020 COVID-19 outbreak;
- b. that such disruptions, and any preventative, protective, or remedial actions that federal, state, and local governments may take in response to a disruption may result in a period of business disruption, reduced customer demand, and reduced operations for dermani MEDSPA®s, and may require that we take actions that might not be contemplated under the Franchise Agreement; and
- c. the extent to which any such disruption impacts the dermani MEDSPA® system, and your franchise business, will depend on future developments which are highly uncertain and which we cannot predict?

Yes _____ No _____

If no, please comment: _____

25. We encourage and strongly recommend that all prospective franchisees contact and speak with existing franchisees as part of your review and diligence process, to inquire about their operations and experience. If you have done so, please identify the franchisees with whom you have communicated:

1. _____

2. _____

3. _____

Others: _____

If you did not contact any franchisees, please explain why: _____

_____.

26. I signed the Franchise Agreement and Addenda (if any) on _____, 20____, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.
27. During my negotiations and evaluations leading up to my decision to buy a dermani MEDSPA® franchise, I communicated with the following individuals from dermani MEDSPA® or its affiliates, or independent brokers:

	<u>Name</u>	<u>Address</u>
1.	_____	_____
2.	_____	_____
3.	_____	_____

[Insert additional names and addresses on back if needed]

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS.

FRANCHISE APPLICANT

Signed

Printed Name

_____, 20____

EXHIBIT N
STATE EFFECTIVE DATES & RECEIPTS

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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:

STATES	EFFECTIVE DATE
Illinois	April 14, 2023
Indiana	August 5, 2022
Michigan	May 20, 2022
Rhode Island	Pending
Wisconsin	April 14, 2023

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.

RECEIPTS
(to be retained by prospective franchisee)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If dermani MEDSPA® Franchising LLC offers you a franchise, it must provide this disclosure document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or

(b) Under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or

(c) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first, or

(d) Under Iowa law, if applicable, at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

If dermani MEDSPA® Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchisor is dermani MEDSPA® Franchising LLC, located at 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786. Its telephone number is: 877-DERMANI (337-6264).

Issuance date: April 14, 2023.

The franchise seller is:

☐ Harvey Hillyer, Member of LazCoz, LLC or ☐ Allison Hillyer, Member of LazCoz, LLC or:

Any additional individual franchise sellers involved in offering the franchise are:

dermani MEDSPA® Franchising LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 14, 2023. This disclosure document included the following exhibits:

- | | |
|---|---------------------------------------|
| A Franchise Agreement | H Table of Contents for Manuals |
| B Area Development Agreement | I State-Specific Disclosures |
| C List of State Administrators | J State-Specific Agreement Amendments |
| D Agents for Service of Process | K Release Agreement |
| E List of Current dermani MEDSPA® Franchisees | L Waiver of Management Agreement |
| F List of Former dermani MEDSPA® Franchisees | M Franchisee Compliance Certification |
| G Financial Statements | N State Effective Date & Receipts |

Date: _____
(Do not leave blank)

Prospective Franchisee

Name (please print)

Address: _____

RECEIPTS
(To be signed, dated, and sent to franchisor)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If dermani MEDSPA® Franchising LLC offers you a franchise, it must provide this disclosure document to you:

(a) 14 calendar days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale, or

(b) Under New York law, if applicable, at the earlier of (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to us or an affiliate in connection with the proposed franchise sale, or

(c) Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise agreement or other agreement or the payment of any consideration, whichever occurs first, or

(d) Under Iowa law, if applicable, at the earlier of the first personal meeting or 14 calendar days before the execution of the franchise agreement or other agreement or the payment of any consideration that relates to the franchise relationship.

If dermani MEDSPA® Franchising LLC does not deliver this disclosure document on time or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to the appropriate state agency listed in Exhibit C.

The franchisor is dermani MEDSPA® Franchising LLC, located at 9100 Conroy Windermere Road, Suite 200, Windermere, Florida 34786. Its telephone number is: 877-DERMANI (337-6264).

Issuance date: April 14, 2023.

The franchise seller is:

☐ Harvey Hillyer, Member of LazCoz, LLC or ☐ Allison Hillyer, Member of LazCoz, LLC or:

Any additional individual franchise sellers involved in offering the franchise are:

dermani MEDSPA® Franchising LLC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I have received a Franchise Disclosure Document dated April 14, 2023. This disclosure document included the following exhibits:

- | | |
|---|---------------------------------------|
| A Franchise Agreement | H Table of Contents for Manuals |
| B Area Development Agreement | I State-Specific Disclosures |
| C List of State Administrators | J State-Specific Agreement Amendments |
| D Agents for Service of Process | K Release Agreement |
| E List of Current dermani MEDSPA® Franchisees | L Waiver of Management Agreement |
| F List of Former dermani MEDSPA® Franchisees | M Franchisee Compliance Certification |
| G Financial Statements | N State Effective Date & Receipts |

Date: _____
(Do not leave blank)

Prospective Franchisee

Name (please print)

Address: _____
