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Department of
Business Oversight

FRANCHISE DISCLOSURE DOCUMENT

LaVida Massage Franchise Development, Inc
A Michigan Corporation
8550 W Grand River Ave, Suite 100
Brighton, MI 48116
248 360 6157
www lavidamassage com

The Franchise offered is for the operation of a therapeutic massage center under the name "LaVida Massage™" offering therapeutic massage services to the general public in a clean and relaxing environment
The total investment necessary to begin operation of a single LaVida Massage Center franchise ranges from $161,250 to $357,500 This includes $39,000 that must be paid to the franchisor or affiliate for a single unit or $83,000 for a three unit option

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 or grant **Note, however, that no governmental agency has verified the information contained in this document.**

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

Buying a franchise is a complex investment The information in this disclosure document can help you make up your mind More information on franchising, such as "A Consumer's Guide to Buying a Franchise " which can help you to understand how to use this disclosure document, is available from the Federal Trade Commission You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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
Date Issued March 31, 2017

FOR USE IN THE STATE OF CALIFORNIA

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in Exhibit A for information about the franchisor, or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS IN ORDER TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT IN ORDER TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ABITRATION or MEDIATION ONLY IN MICHIGAN OUT-OF-STATE ARBITRATION or MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE or MEDIATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE

2 THE FRANCHISE AGREEMENT STATES THAT MICHIGAN LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

3 THE FRANCHISOR RESERVES THE RIGHT TO ESTABLISH ALTERNATIVE CHANNELS OF DISTRIBUTION IN THE FRANCHISEE'S PROTECTED TERRITORY WITHOUT COMPENSATION

4 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

5 IF FRANCHISEE IS A CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY COMPANY, EACH CONTROLLING SHAREHOLDER, PARTNER OR MEMBER MUST EXECUTE A PERSONAL GUARANTEE THIS REQUIREMENT PLACES THE PERSONAL ASSETS OF THE FRANCHISE OWNER(S) AT RISK.

We use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise A franchise broker or referral source represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of the franchise

Effective Date

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC

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ITEM 1

THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Franchisor is LaVida Massage Franchise Development, Inc , a corporation organized under the laws of the State of Michigan To simplify the language in this disclosure document, LaVida Massage Franchise Development, Inc , will be referred to as "we," "us," or "LMFD " "You" means the person who buys the franchise If you are a corporation, limited liability company, or partnership, "you" includes the stockholders, members or partners of that entity

LMFD was incorporated on April 30, 2007 We do business as LaVida Massage Our principal business address is 8550 W Grand River Ave , Suite 100, Brighton, MI 48116

We grant franchises for massage Center units in conformance with the FTC Franchise Rule data regarding these entities which operate under the name LAVIDA MASSAGE™ and offer professional health and wellness services through the use of massage therapy and other related goods and services This concept is based on high volume massage services in a gender-neutral Center, which is open seven days a week and conveniently located You will be allowed to operate a "LaVida Massage Center" also called "Center" under the Single Unit Franchise Agreement We have offered franchises for LaVida Massage Center since August 2007 The LaVida Massage Centers offer an affordable, safe and clean environment for its clients

LMFD, Inc has no parent company or predecessors

The site where the LaVida Massage Center is operated must be approved by us in accordance with our standards and specifications LaVida Massage Centers must offer all products and services we specify and may not offer any products we have not authorized

LaVida Massage Centers will compete with other businesses offering professional massage services which may include health clubs, spas, resorts, chiropractic clinics and individual massage therapists The massage therapy business is competitive in most markets Despite this competition, we believe that LaVida Massage Centers will appeal to customers due to our affordable pricing strategy, the professional and clean environment and other distinctive characteristics

We offer single unit franchises under a Single Unit Franchise Agreement (copy attached as Exhibit E) ("SFA") and triple unit franchises under a Three Pack Option Agreement (copy attached as Exhibit E) ("TOA") A triple unit franchise option or TOA allows a franchisee the option to develop three LaVida Massage Centers at a reduced cost In addition, it allows the franchisee to secure the development territory for its second and third LaVida Massage Centers during the option period while it is opening its first Center If you sign a TOA to be able to secure the territory where you wish to open your Centers you must exercise your right to open the additional Centers within the option period The TOA only provides you with the option to open the additional Centers When each Center is opened, you must sign a SFA for that Center You will not be charged an additional franchise fee for the Centers that are opened under the TOA

We may do background and credit checks on potential Franchisees

Our affiliate, Life Investments, LLC , ("LaVida Massage Commerce") a Michigan Company formed in May 2009 located, currently operates one LaVida Massage Center at 24142 Ford Rd, Canton MI 48187 This center will be used as the training facility for our franchisees LaVida Massage Canton currently does not offer franchises in any line of business We do not operate LaVida Massage Centers or offer franchises in any other line of business

Many states require massage therapists to be licensed and it is your responsibility to investigate and follow all state business and licensing requirements and make sure your Center and all therapists who work in your Center comply with these requirements Certain states require that you file and post bond if it is determined that the Center is considered a health spa You must comply with all laws that apply to your business It is your responsibility to know and investigate all of these laws

ITEM 2

BUSINESS EXPERIENCE

President/ Treasurer Peggy Davis

Mrs Davis has been the President and Treasurer of LaVida Massage Franchise Development, Inc since April 2007

Secretary Mark Davis

Mr Davis has been Secretary of LaVida Massage Franchise Development, Inc since 2016 and has been our Operations Manager from 2009 to present

ITEM 3

LITIGATION

No litigation is required to be disclosed in this disclosure document

ITEM 4

BANKRUPTCY

No bankruptcy information is required to be disclosed in this Item

ITEM 5

INITIAL FEES

Single Unit Franchises

You must pay an initial franchise fee for a full single unit franchise in the amount of $39,000 ("Single Unit Initial Fee") The Single Initial Fee is payable upon execution of the agreement and is non-refundable You will also pay $650 for the initial fee and installation for our Center Management software system (See Item 11)

Three Pack Franchises

You must pay an initial franchise fee for a full three unit franchise in the amount of $83,000 ("Three Pack Initial Fee") The Three Pack Option Agreement ("TOA") allows you the option to develop three LaVida Massage Centers This amount includes the initial franchise fees for each of the three units You will also pay $650 per Center for the initial fee and installation for our Center Management software system (See Item 11) The Three Pack Initial Fee is payable upon execution of the agreement and is non-refundable There is no additional Single Unit Initial Fee for the three stores opened under the TOA

ITEM 6

OTHER FEES

Type of Fee[1]	Amount	Due Date	Remarks
Royalty Fee	5% of Weekly Gross Sales[2]	Due on Friday each week[3]	We will electronically debit this amount from your account
Renewal Fee	25% of our then current franchise fee	Before the execution of franchise agreement for a renewal term	Due if you enter into a renewal of your franchise
Marketing Fund Contributions[4]	1% of Gross Sales	Due on Friday each week[3]	We will electronically debit this amount from your account
Computer Software Use Fee	$80 per week	Due on Friday[3] each week	We will electronically debit this amount from your account
Return Check Fee	$100	As incurred[3]	Due each time a check you write to us is dishonored
Default Notice Fee	$150	As incurred[3]	Due each time we send you a notice because you are in default of your franchise agreement
Inspections	$0 - $250 No charge to franchisee for regular inspections	Charges for additional necessary inspections due to serious violations by the franchisee shall be paid as incurred	Includes all travel expenses, room and board and compensation of our employees
Audit Expenses	$3,000-$6,000	10 days after receipt of final audit	Payable if understatement is greater than 2% or audited because you failed to submit reports, including the cost of the audit, travel expenses, room and board, and compensation of the independent accountant and employees of the Franchisor
Transfer	$7,500	Before transfer	Payable when Franchise Agreement or the assets of the Center or any majority ownership interest is transferred If training is required before transfer is complete, $2,500 must be paid prior to any training and the balance of $5,000 upon completion of the transfer

Type of Fee[1]	Amount	Due Date	Remarks
Training Fees (all owners and up to 2 employees for two weeks at LAVIDA training facility)	Costs of travel expenses, room and board for franchisee employees	Paid by franchisee as incurred	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training
Training Fees (one week for LAVIDA trainers at Franchisee location)	No cost to Franchisee (all owners and up to 2 employees)	N/A	N/A
Additional Personnel attending Initial Training	$125 plus costs of travel, expenses, room and board for franchisee employees	Paid in Advance	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training
Additional Training for employees after initial training (upon request or by necessity)	$250 - $1,250 plus costs of travel, expenses, room and board for franchisee employees	Paid in Advance	Franchisee pays for all travel expenses, room and board and compensation of its personnel to attend training
Interest on Late Payments	Interest will accrue daily on any late payments at the rate 15% per annum during any one year period	As incurred	Payable on all overdue amounts
Insurance	Actual cost of premiums, plus our costs and expenses	As incurred	If you fail to obtain and maintain the insurance we require, you must reimburse us if we elect to get coverage for your Center
Charges for Testing and Evaluation applying to franchisees requests for approval for goods and suppliers	$0 - $100 Will vary under circumstances	As incurred	See Item 8
Indemnification	Will vary under circumstances	As incurred	You must indemnify and hold us harmless if we are held liable from your Center's operations
Costs of Enforcement	Will vary under circumstances	As incurred	Reimburse us to enforce the Franchise Agreement
Maintenance & Up Keep[5]	$50 - $2,500 year	As incurred	Maintenance and up keep, except equipment, due to normal wear and tear

Type of Fee[1]	Amount	Due Date	Remarks
Redecorating / Remodeling[6]	$0 - $5,000	As incurred	Expected life of equipment is 5 to 10 years Redecorating of premises may vary by location, normally does not occur before 5 years

[1]Except for insurance, all fees are uniformly imposed by and payable to us All fees are non-refundable You will be required to purchase proprietary products from us or an approved vendor (See Item 8)

[2]Gross Sales includes total receipts from the sale of products and services authorized for sale at the Center but exclusive discounts, promotional coupons, sales tax or other taxes collected by the Franchisee and paid to taxing authorities

[3]You must pay all amounts by automatic debit. You must sign the documents we require to debit your account automatically for the amounts due We will debit your account for the Royalty Fee payment, Marketing Fund payment, Software Fee payment and other amounts due to us

If you fail to report the Center's Gross Sales for any week, we may debit your account for one hundred twenty percent (120%) of the Royalty Fee that we debited for the previous week If the Royalty Fee we debit from your account is less than the Royalty Fee you actually owe us (once we have determined the Center's true and correct Gross Sales for the week) we will debit your account for the balance of the Royalty Fee due on the day we specify If the Royalty Fee we debit from your account is greater than the Royalty Fee you actually owe us for the week (once we have determined the Center's true and correct Gross Sales for the week), we will credit the excess against the amount we otherwise would debit from your account during the following week, without interest. Some banks may charge you certain fees for electronic transfers Any fees that your bank may charge for this service will be paid by you

[4]We will periodically establish a Marketing Contribution level, but it will not exceed 1% of Gross Sales You must spend

a minimum of twenty five hundred dollars ($2,500) per month for the first twenty four (24) months in business and (4%) of gross sales after twenty four months on local advertising, marketing and promotional programs to enhance the reputation of your business within the Designated Territory

We will credit your Marketing Fund contributions and other approved expenditures you make to advertise or promote your Center We may periodically vary the level of Marketing Fund Contributions so you must adjust your advertising, marketing and promotion expenditures to spend a minimum of twenty five hundred dollars ($2,500) per month for the first twenty four (24) months in business and (4%) of gross sales after twenty four months on local advertising, marketing and promotional programs

[5]Maintenance and up keep is based upon normal wear and tear

[6]Expected life of equipment is 5 to 10 years and expected cost is $250 each

Note The amount of interest we charge will not exceed the maximum allowed by state law

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENTEXPENDITURE	ESTIMATED LOW/HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee[1]	$39,000	Lump Sum	Execution of Franchise Agreement	LaVida
Six Months Lease Rent[2]	$20,000 - $50,000	As agreed in lease	Monthly	Landlord
Equipment/Fixtures[3]	$37,500 - $55 000	As incurred	Before opening	LaVida & Vendors
Leasehold Improvements[4]	$20,000 - $80,000	By agreement with Vendors	Before opening	Vendors
Opening Inventory[3]	$2,000 - $3,000	Lump sum	Before opening	Suppliers
Signage[3]	$6,500 - $8,500	By agreement with Vendors	Before opening	Vendors
Security Deposits	$0 - $10,000	Lump sum	Before opening	Landlord
Business Licenses & Permits[5]	$250 - $2,000	As incurred	Before opening	Government Agencies
Opening Advertising (to be spent before opening and within 30 days after opening)	$5,000 - $10,000	As incurred	Before opening	Various Media, PR, Suppliers
Pre-Opening Training[6]	$1 000 - $5,000	As incurred	Before opening	Employees airline, hotels & restaurants
Miscellaneous (legal, utilities, insurance, office supplies, etc)[7]	$5,500 - $20,000	As incurred	Before opening	Attorneys, local government, travel agent vendors
Additional Funds (6 months)[8]	$25,000 - $75 000	As incurred	During first 6 months you operate your store	Various parties, excluding employees
TOTAL[9]	**$161,750 - $357,500**			
Three Pack Option Fee[10]	$83,000	Lump sum	At signing of Three Pack Option Agreement	LaVida

YOUR ESTIMATED INITIAL INVESTMENTEXPENDITURE	ESTIMATED LOW/HIGH RANGE	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
TOTAL[9]	$205,750 00- $401,500 00			

1 The Initial Fee is non-refundable This is further described in Item 5 of this disclosure document

2 You must lease an appropriate site Generally, the leases are for 5-10 years with an option to renew for 5-10 years The amounts specified for leasehold improvements and security deposits on a lease and rent are based on our business experience These costs depend on the size, condition, and location of the leased premises, and the costs the landlord assumes You may hire any party for this assistance or may conduct site selection yourself This cost of leasehold improvements will vary widely depending upon the size and condition of the premises, existing improvements, and if the landlord gives any construction allowances

3 The difference between the low and high ranges for equipment and supplies is due to the shipping distances, price differences between suppliers and the quantity needed You may purchase or lease original equipment and supplies, signs and opening inventory meeting our standards from any approved source This includes the price for Center Management Software which costs approximately $710 00 for the initial installation and start up cost, everything needed to equip massage rooms, front desk and break room computer systems, lobby furniture, break room furniture, art, lotions, aromatherapy and all supplies needed to do massage The amount for beginning inventory would be for lotions, topical analgesics and aromatherapy oils for resale

4 This cost of leasehold improvements will vary widely depending upon the size and condition of the premises existing improvements, and if the landlord gives any construction allowances

5 Certain states require that you file and post bond if it is determined that the Center is considered a health spa

6 This item estimates the travel and living expenses, including airfare that you will incur when you and your employees attend initial training described in Item 11 of this Disclosure document This does not include compensation for your employees during the time they are attending training

7 The Miscellaneous Opening Costs are our best estimate of the costs and deposits for and installation of telephones, deposits for gas electricity and related items These are paid as incurred to various utilities and suppliers We estimate that annual insurance premiums for a Center range from $5,000 to $15,000 However, this cost may be significantly higher depending on the state coverage requirements Center location and your loss history

8 This item estimates your initial start up expenses for 6 months This item does not include ongoing inventory purchases royalty or advertising payments or the cost of any financing interest or amount of debt service obligation These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business Your costs will depend on the following factors how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for your products and services, the prevailing wage rate, competition, and the sales level reached during the initial period

9 We relied on our business experience to compile these estimates You should review these figures carefully with a business advisor before making any decision to purchase the franchise The estimate does not include any finance charge, interest or debt service obligation These estimates were based on a business located in Commerce, Michigan These estimates could be substantially higher in your territory We do not offer financing for any of these fees (See Item 10 in this disclosure document)

(10) This fee is non-refundable This fee is further described in Item 5 of this disclosure document The Three Pack Option Agreement ("TOA") provides you the option to open three LaVida Massage Centers You will have to sign a Single Unit Franchise Agreement for each of your Centers that you open You will incur all of the costs listed under the Fees for each Single Unit that you open, except that you will not incur any additional **Initial** Franchise Fees for each Center you open under the TOA The Fee for the TOA pays for all of the Initial Franchise Fees for the three Centers opened under the option We do not offer financing for this fee (See Item 10 in this disclosure document)

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

We provide you with standards for authorized services, display equipment, other equipment, fixtures, furniture, signs and decorating for the Center These may include standards for performance, warranties, appearance, local zoning, signs and other restrictions We will issue specifications to you before you begin operating We may include these specifications in our confidential manuals that we loan to you, or we may issue them separately

Since most of the items you will purchase to begin operating a LaVida Massage Center must meet our specifications, you can expect that the items you purchase in accordance with our specifications will represent 70% of the total purchases you will make to begin operations Once you begin operating, the primary items you will purchase that must meet our specifications are massage tables, massage oils, lotions and other massage products We would expect these items to represent between 5% and 10% of your total annual expenses

We are currently the exclusive supplier of our web based appointment and customer management software You will be required to purchase at least three computers with keyboards and monitors You will also be required to purchase the Center Management software that is currently in use

You must purchase products, uniforms, and other supplies and materials used in the Center that meet our standards We will also suggest approved suppliers for many of the other items you will need to purchase We will give you lists of approved suppliers before you begin operating your business You may purchase items meeting our standards from any approved source If you wish to purchase or lease items we have not approved, you may propose a request through your franchise manager Before giving our approval, we may ask the supplier to provide samples of materials they wish to provide to you, and we may examine the facilities of any approved supplier or distributor, including the commissary and we may investigate the ability of the supplier to provide materials that meet our specifications We will advise you within 30 days whether any item meets our approval We may charge you for our reasonable expenses in evaluating any proposed item and evaluating the commissary The number of suppliers of any item may depend on the availability of these items and whether suppliers manufacture items meeting our specifications We may impose reasonable limitations on the number of approved suppliers or distributors of any product As noted, we may be the exclusive supplier of certain products Approval of a supplier or distributor may be conditioned on delivery schedule and service In addition, your ability to purchase from other suppliers, including those who sell to us or our affiliates, depends on factors including suppliers' willingness to sell to you and the availability of various products that meet our standards We will notify you in writing if we determine to revoke approval of a previously approved supplier We do not publish criteria for supplier approval Peggy Davis, our president, owns an interest in LVM Products, which is an approved supplier

When we periodically test new products in Centers, we may require you to purchase these products exclusively from us or otherwise limit the distribution and use of these products Either you or the supplier seeking approval must pay us a charge, to be not more than the cost of the inspection and testing, and we will not be liable for damage to any sample that may result from the testing process

You must maintain at your sole expense (a) property insurance on a replacement cost basis at minimum limits based on the total value of your assets (all risk coverage), (b) primary general liability insurance (including coverage for personal injury, products and contractual liability), (c) primary automobile liability insurance (including owned automobiles, titled or leased in your name and the name of your owners and used at any time, whether principally or occasionally in the business, hired and non-owned coverage), (d) business interruption insurance, and (e) worker's compensation insurance (in your name) as required by law If no law exists, then you must participate in comparable insurance we require An insurance carrier rated A or better or meeting such other criteria we may establish from time to time must issue all insurance policies, except workers' compensation insurance All liability insurance policies must name us and any subsidiaries and affiliates that we designate

If you fail to carry any insurance coverage we require or to furnish satisfactory evidence of the insurance when requested, we may obtain insurance coverage for you and you must promptly sign any documents required and pay to us on demand amounts we incur Your obligation to maintain the required insurance is not limited by insurance we maintain

We attempt to negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees The arrangements include special contract pricing, volume discounts and specific discounts We cannot guarantee that any special pricing or discounts will be available in a particular market We do not provide any special benefits to franchisees based on their use of any approved supplier

There are currently no purchasing or distribution cooperatives in place

Currently to date, we received no revenues from the sale of goods or services to our franchisees We may receive rebates of 1%-2% from some suppliers based on the volume purchased from that supplier The rebates are based on purchases from all of the Centers in the system, which includes Centers that we own, and your Centers We use those rebates to reduce expenses for the services we provide to you, for marketing purposes, website development and product development

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

	Obligation	Section in Agreement Single Unit ("SFA") Master Agmt ("MFA")	Item in Disclosure Document
a	Site selection and acquisition/lease	Sections 11(A), V(A) of SFA	Items 6, 7, and 11
b	Pre-opening purchases/leases	Sections V(B)(G)(K) of SFA	Items 6,7, and 8
c	Site development and other pre-opening requirements	Sections V(C-E) of SFA	Items 6, 7 and 11
d	Initial and ongoing training	Sections VI(A-E) of SFA Sections 6 8 and 7 1 of MFA	Items 6, 7 and 11
e	Opening	Section V(F) of SFA Section 2 6 of MFA	Item 11
f	Fees	Sections IV(A-J), XIV(F) VI(A),VI(C)of SFA Section 4 of MFA	Items 5, 6 and 7

Obligation		Section in Agreement Single Unit ("SFA") Master Agmt. ("MFA")	Item in Disclosure Document
g	Compliance with standards and policies/Operations Manual	Sections VII(A)(B)(P) of SFA Section 6 3 of MFA	Items 8, 11, and 16
h	Trademarks and proprietary information	Sections VII(B-D) XV of SFA Section 8 of MFA	Items 13 and 14
i	Restrictions on products/services offered	Section VIII of SFA	Items 8, 11 and 16
j	Warranty and customer service requirements	Not Applicable	
k	Territorial development and sales quotas	Section 11(B) of SFA Section 2 of MFA	Item 12
l	On-going product/service purchases	Section VII(A) of SFA	Items 6 and 8
m	Maintenance appearance and remodeling requirements	Sections V(M)(0) of SFA	Item 6
n	Insurance	Section IX of SFA	Items 6, 7 and 8
o	Advertising	Section X of SFA	Items 6, 7 and 11
p	Indemnification	Section XI of SFA Section 16 2 of MFA	Item 6
q	Owner's participation/ management/ staffing	Sections VII(G-H) of SFA Section 6 1 of MFA	Items 11 and 1S
r	Records/reports	Sections XII-XIII of SFA Section 6 7 of MFA	Items 6 and 11
s	Inspections/audits	Sections VI(F) XIII(B) of SFA Section 6 6 of MFA	Item 6 and 11
t	Transfer	Section XIV of SFA Section 15 of MFA	Item J 7
u	Renewal	Section III(B) of SFA Section 1 3 of MFA	Item 17
v	Post-termination obligations	Section XX of SFA Section 14 of MFA	Item 17
w	Non-competition covenants	Section XVI of SFA Section 10 of MFA	Item 17
x	Dispute resolution	Section XXI(B) of SFA Section 17 1 of MFA	Item 17

ITEM 10

FINANCING

We offer no financing at this time However, franchisees of LaVida Massage may be eligible for expedited and streamlined SBA loan processing through the SBA's Franchise Registry Program, www franchiseregistry com Individual franchisees may not be eligible for SBA financing, as the SBA does not extend loans to individuals

Item 11

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

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

Franchisor's Assistance

Before you open the Center, we will

(1) Approve a site that meets our requirements We shall approve or disapprove of the site within 30 days after our receipt of the materials described in the Franchise Agreement When reviewing the site we will consider demographics including but not limited to, population, growth potential, competition, traffic patterns (SFA Section V(A)),

(2) Approve a lease for the site that meets our requirements (SFA Section V(B)),

(3) Provide you with construction standards and layouts for the site design Your site must meet all local zoning requirements and must obtain all necessary permits (SFA Section V)

(4) Provide you with standards for authorized products and services offered, required equipment, fixtures, furniture, signs and decorating required (SFA Section V(D-L)),

(5) Provide you with the designated approved suppliers as discussed in Item 8 of this disclosure document (SFA Section VIII),

(6) Loan you a copy of our Operations Manual (table of contents attached as Exhibit B) (SFA Section VII(B)), and

(7) Offer certain training programs which you must enroll in and complete in operating the Center (SFA Section VI(A)), and

We estimate that there will be an interval of 1 to 8 months between submitting an application and the opening of the Center, but this interval will depend on the location and condition of the site You must open the Center for business within 8 months after signing the Franchise Agreement unless we agree otherwise (SFA Section V(F))

During your operation of the Center, we will

(1) Provide you with on-site training for a period of up to seven days (SFA VI(B)),

(2) Provide you additional training and guidance at your request and expense (SFA VI(E)),

(3) Conduct periodic inspection and provide you operational assistance and guidance based on the inspections and reports (SFA VI(F)),

(4) Provide you with information on operating the Center by providing you standards and specifications, operating manuals (SFA Section VII(B)),

(5) Offer refresher training and potential training programs which we may require you to attend as more fully described below (SFA Section VI(E)),

(6) Loan to you 1 or more copies of an operating manual or operational bulletins or similar materials containing mandatory and suggested specifications, standards and operating procedures and rules and information about your other obligations under the Franchise Agreement and the operation of the Center (the "Operating Manual") and provide modifications from time to time (SFA Section VII(B), VII(D)),

(7) Modify from time to time our standards and specification which may require you to make modification which could require you to invest additional capital into the Center (SFA VH(P)),

(8) Let you use our marks as described in Item 13 of this disclosure document (SFA Section VII(D)), and

(9) Maintain and administer a formal marketing fund (as described in this Item) (SFA Section X(G))

You must keep books and business records according to our formats that we may provide to you from time to time

Advertising and Marketing

Under the SFA you must, at your expense, and with our prior written approval, execute a grand opening marketing program for your Center in accordance with our standards for grand opening of LaVida Massage Centers in varying market conditions You are required to spend a minimum of $5,000 on the grand opening marketing program within sixty days of opening You are required to execute the Grand Opening within sixty days of opening

You cannot engage in any advertising activities directly outside of the Designated Territory except via Internet There are no restrictions on Internet use

Under the SFA, you agree to spend a minimum sum equal to a minimum of twenty five hundred dollars ($2,500) per month for the first twenty four (24) months in business and (4%) of gross sales after twenty four months on local advertising, marketing and promotional programs to enhance the reputation of your business within the Designated Territory

There are currently no official cooperative advertising groups, however you shall at all times cooperate with us and other LaVida Massage franchisees in any and all sales, public relations, advertising, cooperative purchasing programs, or promotional programs calling for the cooperation of multiple franchisees and shall further cooperate in such other programs as may be designated by us One hundred percent of the Marketing Fund will be spent on consumer advertising and marketing, No funds from the Marketing Fund will be spent on advertising and or marketing for sale of franchises There is no guaranteed or specific amount promised to be spent in any particular area or territory

We have established a marketing fund (the "Marketing Fund") for the advertising, marketing and public relations programs and material we deem appropriate Each LaVida Massage Center will contribute one percent (1%) of the Center's Gross Sales LaVida Massage Centers operated by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchisees

We will designate all programs that the Marketing Fund finances, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation The Marketing Fund may pay for preparing and producing video, audio and written material and electronic media, administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion and marketing agencies and other advisors to provide assistance, and supporting public relations, market research and other advertising, promotion and marketing activities

We will account for the Marketing Fund separately from other funds and not use the Marketing Fund for any of our general operating expenses, except to compensate the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering preparing advertising, promotion and marketing materials, and collecting and accounting for Marketing fund contributions The Marketing Fund will not be our asset The Marketing Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or any other reason The Marketing Fund may spend in any fiscal year more or less than the total 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 Marketing Fund contributions to pay costs before using the Marketing Fund's other assets We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement upon written request We may incorporate the 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 subsection

We intend the Marketing Fund to maximize recognition of the Marks and patronage of LaVida Massage Centers Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing that will benefit all LaVida Massage Centers, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Marketing Fund contributions by LaVida Massage Centers in that area or that any LaVida Massage Center benefits directly or in proportion to its Marketing Fund contribution from the development or placement of advertising and marketing materials We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contribution at the Marketing Fund's expense We also may forgive, waive, settle and compromise all claims by or against the Marketing Fund Except as expressly provided in this subsection, we assume no dire or indirect liability or obligation to you for collection amount due to maintaining, direction or administer the Marketing Fund

We may at any time defer or reduce the Marketing Fund contribution of a LaVida Massage Center franchise (and can later reinstate the Marketing Fund contributions at any time) and upon thirty (30) day's prior written notice to you, reduce or suspend Marketing Fund contribution and operation for one or more periods of any length and terminate (an, if terminated, reinstate) the Marketing Fund If we terminate the Marketing Fund, we will distribute all unspent monies to our franchises, and to us and our affiliate, in proportion to their and our respective Marketing Fund contributions during the preceding twelve (12) month period

<u>Computer System</u>

You agree to use in operating the Center the computer equipment, operating software and communication equipment (collectively, the "Computer System") that we specify from time to time You must obtain the Computer System, software licenses, maintenance and support service and other service related to the Computer System from the suppliers we specify You must purchase the following hardware or hardware is comparable to the following requirements Dell Pentium 4 computers with 17" flat panel monitors, MMF - ECD200 electronic Cash Drawer, Epson TM-U220 POS (Receipt) Printer, Dell laser printer We estimate the cost of this hardware to be under $3,000 You must purchase software to run basic accounting system and word processing We estimate the cost of this software to be $500 You must also purchase and use our web based appointment/customer Center management software ("Center Management Software) We estimate the initial cost of this along with installation to be $650 You will be required to supply the maintenance and support of all of your hardware We will provide on-going maintenance and support for the Center Management Software at a cost of $80 per week We are currently the only supplier of the Center Management Software

We may periodically modify specifications and components for the Computer System These modifications and/or other technological developments or events may require you to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System Although we cannot estimate the future costs of the Computer System, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions or modifications) and required service or support We have no obligation to reimburse you for any Computer System costs Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly We cannot require you to upgrade your system more than once in any 36 month period (SFA Section XIII(D))

We may charge you a reasonable fee if we develop or have developed (and, once developed, for supporting, modifying and enhancing) proprietary software that we license to you and for other Computer System maintenance and support services that we or our affiliates use similar technology we develop or maintain, you agree to sign any software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to the software (SFA Section XIII(D))

Notwithstanding the fact that you must buy, use and maintain the Computer System under our Standards and Specifications, you will have sole and complete responsibility for (1) the acquisition, operation, maintenance and upgrading of the Computer System, (2) the manner in which your Computer System interfaces with our computer system and those of other third parties, and (3) any and all consequences that may arise if the system is not properly operated, maintained and upgraded

We will have the right to electronically access your computer system and all of your records on the computer system

Operations Manual

A copy of the table of contents of our Operations Manual is attached as Exhibit B to this disclosure document

Training

Two weeks before opening the Center, at least one owner must complete all training required to operate the Center. All training, other than your on-site training, will be held at times designated by us in Brighton, Michigan and must be successfully completed to Franchisor's satisfaction. You must pay for travel, living expenses and any other costs incurred during the training. (SFA Section VI)

We do not have any current requirements but may require in the future that you or your owners attend supplemental or additional training classes at our then current headquarters which we may periodically offer not to exceed 5 days. We do not currently have any mandatory supplemental training classes available. You must pay for our costs of these supplemental training programs based upon our then current charges and for the travel and living expenses and any other costs incurred by you during these programs. Because we do not currently provide supplemental training we do have an estimate of our cost for supplemental training.

Our current training consists of providing you with up to 10 days of training by our trainers at our training Center in Brighton, Michigan prior to your opening. Mark Davis is in charge of our training programs. He has worked with us since 2009 and has more than 8 years' experience in the subjects taught. We will also provide up to five business days of training and oversight by LaVida Massage professionals at your location prior to your grand opening. (Single Unit Franchise Agreement Section VI) There is no additional charge for the training other than the initial Franchise Fee. Franchisee will be responsible for all travel expenses and room and board during the training.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Welcome	1.5	0	Brighton, MI
Company Contacts	5	0	Brighton, MI
LaVida Concept	8	0	Brighton, MI
Pre Opening	2.5	0	Brighton, MI
Personnel Hiring	3.5	0	Brighton, MI
Suppliers	1.5	0	Brighton, MI
Web Interface	1.5	0	Brighton, MI
Daily operations	8	8	Brighton, MI
LaVida Software	10	0	Brighton, MI
Center Management	8	0	Brighton, MI
Marketing	4	0	Brighton, MI
Administration	6	0	Brighton, MI
Retail	3	0	Brighton, MI

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Onsite training	0	30	Location of franchise

ITEM 12

TERRITORY

You will be granted an exclusive territory ("Designated Territory") Each Designated Territory is an area negotiated between you and us and based upon population, growth potential, competition and traffic patterns but usually consist of a minimum area of 1 mile You may not conduct the Center at any site other than the premises, or relocate your Center without our prior written consent The Franchise Agreement does not provide you with any options, rights of first refusal, or similar rights to acquire additional franchises

Except for rights expressly granted to you under the Franchise Agreement, we and our affiliates retain all of our respective rights and discretion with respect to the LaVida Marks, the System and LaVida Massage Centers anywhere in the world and to engage in any other business, including the right to

(a) operate, and grant others the right to operate LaVida Massage Centers at locations and on terms and conditions we deem appropriate,

(b) sell any products or services under the LaVida Marks or under any other trademarks, service marks or trade dress, through other channels of distribution, such as the Internet, catalog sales, telemarketing, or other direct marketing in which case we do not pay you any compensation, and

(c) operate, and grant to others the right to operate Centers identified by trademarks, service marks or trade dress, other than the Licensed Marks, under terms and conditions we deem appropriate

During the term of the Agreement, we will not operate or grant a franchise for a Center in your Designated Territory The Designated Territory will be determined by the demographics of the area including but not limited to population, growth potential, competition, traffic patterns, etc If at the time of signing the SFA, the Designated Territory has not been determined the Designated Territory shall be negotiated after the SFA is signed. Once agreed upon, geographic area comprising your Designated Territory will become part of your SFA You have no right to operate outside of your Designated Territory without our prior approval You are not prohibited from soliciting business outside your territory

Continuation of your Designated Territory does not depend on your achieving a certain sales volume or market penetration Only the mutual written agreement of the parties may alter your Designated Territory If you decide to relocate your Center, you must receive the prior written consent of the Franchisor Our approval is based upon the availability of the territory., approval of site location and the build out is to our then current specifications You do not need to relocate in the Designated Territory

Three Pack Option Agreement

Under the Executive Three Pack Option Agreement ("TOA"), you will be given the option to develop three LaVida Massage Centers Each Center that opens under the TOA will be subject to the Franchise Agreement Once the Agreement is signed for each Center opened under the TOA, the territory rights under the option for that Center are expired and the Center will receive a Designated Territory under the Franchise Agreement The first LaVida Massage Center under the TOA will be assigned a Designated Territory at the time the TOA is signed An exclusive territory for the second and third units will be defined at the time the TOA is signed The exclusive territory will depend on the demographics of the area including but not limited to population, growth potential and competition This exclusive territory for the second and third Centers will be protected until the option period expires because of either your failure to exercise the option or you have entered into an Agreement for that Center

ITEM 13

TRADEMARKS

Under the Franchise Agreement, we grant you the non-exclusive right to use our trademark and service marks to operate the Center (the "Marks") The Marks are owned by us The primary service mark is a LAVIDA MASSAGE design. This mark was applied for at the United States Patent and Trademark Office on August 10, 2007 and was issued the serial number 77252571 This mark was registered at the United States Patent and Trademark Office on April 29, 2008 and given the registration number 3,417,772

Your right to use the Marks is non-exclusive, and we have the right, among others (a) to use the Marks to sell products and services, (b) to grant others licenses for the Marks, (c) to develop and establish other systems using the same or similar marks, or any other proprietary marks, and to grant licenses or franchises in those systems without providing any rights to you, and (d) to regulate the use of the Marks in any form of electronic media including web sites or web pages or as a domain name or electronic media identifier

Your usage of the Marks and any goodwill you establish is to our exclusive benefit and you retain no right in the Marks when the Franchise Agreement terminates or expires You must follow our rules when you use the Marks You may not use the Marks as a part of any corporate or trade name or with any name or symbol you use to operate your Center, nor may you use any trade name, trademark, service mark, emblem or logo other than the Marks we periodically designate

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, nor is there any pending infringement, opposition or cancellation proceedings or material litigation, involving the Marks There are no other agreements currently in effect which significantly limit our right to use or license the use of the Marks that are material to the franchise We do not actually know of either superior prior rights or infringing uses that could materially affect a franchisee's use of the principal Marks in any state

You must immediately notify us of any use by others of names or marks which are the same or confusingly similar to any Marks We have the right to control all administrative proceedings and litigation involving the Marks We are not obligated under the Franchise Agreement to take any action when you notify us of a possible claim The Franchise Agreement does not require us to indemnify you or reimburse you for damages you are held liable for in any proceeding from your authorized or unauthorized use of any Marks

We may require you to modify or discontinue use of any Mark or use one or more additional or substitute Marks in the event a dispute arises over our right to the use of any Marks We are under no obligation to reimburse you for any expenditure that you make to modify or discontinue the use of a Mark or to compensate you for any goodwill related to the discontinued any Marks

You do not have any right under the TOA to use the Marks The right to use the Marks comes from the Agreement that is signed when you exercise your option under the TOA

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We claim copyright protection in our Operating Manuals, Training Manuals, videotapes, DVD's and related materials, certain proprietary software, advertising and promotional materials although these items are not registered with the United States Registrar of Copyrights The materials are considered proprietary and confidential and are our property You may only use these materials according to our rules, regulations and guidelines

There currently are no effective determinations of the Copyright Office (Library of Congress) or any court regarding any of the copyrighted materials There are no agreements in effect which significantly limit our right to use or license the copyrighted materials There are no infringing uses actually known to us which could materially affect your use of the copyrighted materials in any state We are not required by any agreement to protect or defend copyrights

Information, knowledge, or know-how, including drawings, materials, equipment, marketing, recipes, and other data, that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement or Master Franchise Agreement. We will disclose to you certain confidential or proprietary information and trade secrets You must not make an unauthorized use of our confidential or proprietary information or trade secrets and must take steps to prevent its disclosure to others

We may require you or any approved supplier to sign a confidentiality agreement to protect the propriety of our information The confidentiality agreement is attached as Exhibit D to this disclosure document

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

We do not require that you personally supervise the franchised business but it is recommended that the owner is involved in the operations The business must be directly supervised "on-premises" by a manager or designated representative who has successfully been trained by a LAVIDA training professional The on-premises manager or designated representative can not have an interest or business relationship with any of LAVIDA's business competitors The manager or designated representative need not have an ownership interest in a corporate or partnership franchisee The manager or designated representative must sign a written agreement to maintain confidentiality of the trade secrets described in Item 14 and to conform to the covenants not to compete described in Item 17

If you are a corporation, partnership or limited liability company, each controlling shareholder, partner or member must (1) personally guarantee your obligations under the Franchise Agreements, (2) agree to be personally bound by, and personally liable for every breach of the Franchise Agreements, (3) agree to be bound by the confidentiality and non-competition provisions of the Franchise Agreements, and (4) agree to certain restrictions on your ownership interests Every other shareholder or partner must personally guarantee your obligations under the Franchise Agreements based upon his/her ownership interest in the franchise and must agree to be bound by each provision of the Franchise Agreement, including the confidentiality and non-competition provisions

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale all products and perform all services that we periodically require in your Center You may not offer for sale any products or perform any services that we have not approved (See Items 8 and 9) The types of products and services you offer will be regulated through our standards and specifications We can periodically change the types of authorized products and services that you provide There is no limit to our right to do so If we notify you to discontinue a product or service you must immediately comply We may periodically establish maximum prices for products and services that you offer at your Center, if we do so you may not exceed this price but you may charge any lower price you determine

You may not offer products or services from any other location other than your Center without our prior written approval We may periodically establish national accounts that require services at a location other than your Center If the national account is in your territory you will be given the option to service that account You may periodically, at our discretion, be given the option to service a national account that is not in your territory

ITEM 17

THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the Franchise Agreement and related agreements pertaining to renewal, termination, transfer and dispute resolution You should read these provisions in the Franchise Agreement attached to this Disclosure Document.

Provision		Section in Franchise Agreement	Summary
a	Length of franchise term	Section III(A)	10 years
b	Renewal or extension of the term	Section III(B)	10 year renewal if you meet certain requirements
c	Requirements for you to renew or extend	Section III(B)	Written notice, full compliance, sign then current form of Franchise Agreement, obtain all approvals execute a general release, complete refurbishing in accordance with our then-current standards, complete refresher training, pay renewal fee
d	Termination by you	Section XIX	If LAVIDA has materially breached Franchise Agreement and does not cure after 90 day written notice
e	Termination by us without cause	Not Applicable	Not Applicable
f	Termination by us with cause	Section XVIII(A-B)	We can terminate only if you commit one of several violations
g	"Cause" defined-defaults which can be cured'"	Section XVIII(B)	240 days reopen after natural disaster; 90 days find new approved location if lose current location, 30 days comply with agreement, make timely payments, undo an unauthorized transfer, submit requested reports, clear bankruptcy petition if filed against you, to remove levy from property, decorate or equip as required, get insurance, get trained manager, comply with standards, 10 days pay sums due
h	"Cause" defined-defaults which cannot be cured	Section XVIII(A)	Bankruptcy, assignment for benefit of creditors, felony conviction, repeated failure to comply with agreements fails to actively operate Center, intentionally underreport sales Act that adversely affect reputation or goodwill, misrepresentation or omission on application, fails to complete initial training

Provision		Section in Franchise Agreement	Summary
i	Your obligations on termination/ nonrenewal	Section XX	Cease to operate, redecorate, cease to use trade secrets, confidential methods, cease using Marks slogans, devices, or anything that associates franchisee with franchisor; pay all sums owing, return all confidential materials, change or transfer telephone numbers
j	Assignment of contract by us	Section XIV(A)	No restriction on our right to assign
k	"Transfer" by you -definition	Section XIV(B)	Transfer of interest in the Franchise Agreement, Center, assets or you
l	Our approval of transfer by you	Section XIV	We must approve and transferee must satisfy our standards for new franchisees
m	Conditions for our approval of transfer	Section XIV	No defaults, full compliance, current with all accounts, assignee meets requirements, assignee is trained, payment of transfer fee, general release executed, sign current agreement
n	Our right of first refusal to acquire your business	Section XIV	We can match offer
o	Our option to purchase your business upon termination or nonrenewal	Section XX(F)	Option to purchase the leasehold improvements, equipment and tangible assets of the Center at a price equal to the depreciated cost thereof, based on a straight line, sixty (60) month amortization period
p	Your death or disability	Section XIV(G)	Your personal representative apply to continue to operate within 6 months and transfer interest to someone approved to operate
q	Non-competition covenants during the term of the franchise	Section XVI(A)	No interest in massage business including acquiring financial interest that could have economic influence over the business
r	Non-competition covenants after the franchise is terminated or has expired	Section XVI(A)	No interest in a competing business for 2 years any massage business
s	Modification of the agreement	Section XXI(D)	No modifications generally but Operating Manual subject to change
t	Integration/merger clause	Section XXIII(D)	Only Franchise Agreement binding Nothing in the agreements or related agreements is intended to disclaim the representations franchisor made in the franchise disclosure document

Provision		Section in Franchise Agreement	Summary
u	Dispute resolution by arbitration or mediation	XXIII(B)	Most disputes will be submitted to mediation or arbitration in Commerce, Michigan but is subject
v	Choice of forum	XXI(E)	Commerce, Michigan generally but is subject to state law
w	Choice of law	Section XVIII(N)	Michigan law generally applies but is subject to State Law
y	Other	Not Applicable	Not Applicable

(1) See attached State Addendum that modifies these provisions

ITEM 18

PUBLIC FIGURES

We do not use any public figure to promote our franchise

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The Federal Trade Commission's (FTC) 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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Peggy Davis at 8550 W Grand River Ave, Suite 100, Brighton, MI 48116, Telephone 248 366 4611, the Federal Trade Commission and the appropriate state regulatory agencies

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with franchisor You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you

Table #1 Systemwide Outlet Summary
For Years
2014 to 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	54	58	4
	2015	58	53	-5
	2016	53	57	4
Company-Owned	2014	1	0	-1
	2015	0	0	0
	2016	0	1	1
Total Outlets	2014	54	58	4
	2015	58	53	-5
	2016	53	58	5

Table #2 Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For years 2014 to 2016

State	Year	Number of Transfers
AR	2014	0
	2015	0
	2016	0
AZ	2014	0
	2015	0
	2016	0
CA	2014	0
	2015	0
	2016	1
CO	2014	1
	2015	0
	2016	0
CT	2014	0
	2015	0
	2016	0
DE	2014	0
	2015	0
	2016	0
FL	2014	0
	2015	1
	2016	0
GA	2014	1
	2015	0
	2016	0
HI	2014	0
	2015	0
	2016	0
IL	2014	1
	2015	0
	2016	0
IN	2014	0
	2015	0

	2016	0
KS	2014	0
	2015	0
	2016	0
KY	2014	0
	2015	0
	2016	0
LA	2014	0
	2015	0
	2016	0
MA	2014	0
	2015	0
	2016	0
MD	2014	0
	2015	0
	2016	0
MI	2014	1
	2015	2
	2016	1
MN	2014	0
	2015	0
	2016	0
MO	2014	0
	2015	0
	2016	0
NC	2014	1
	2015	0
	2016	1
ND	2014	0
	2015	0
	2016	0
NE	2014	0
	2015	0
	2016	0
NH	2014	0
	2015	0
	2016	0
NJ	2014	0

	2015	0
	2016	0
NM	2014	0
	2015	0
	2016	0
NV	2014	0
	2015	0
	2016	0
NY	2014	0
	2015	0
	2016	0
OH	2014	0
	2015	0
	2016	0
OR	2014	0
	2015	0
	2016	0
PA	2014	0
	2015	0
	2016	0
RI	2014	0
	2015	0
	2016	0
SC	2014	0
	2015	0
	2016	0
SD	2014	0
	2015	0
	2016	0
TN	2014	0
	2015	0
	2016	0
TX	2014	0
	2015	0
	2016	0
VA	2014	0
	2015	0

	2016	1
WA	2014	0
	2015	0
	2016	0
WI	2014	0
	2015	0
	2016	0
WV	2014	0
	2015	0
	2016	0
Total	2014	2
Total	2015	3
Total	2016	4

Table #3 Status of Franchised Outlets
For years 2014 to 2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
AR	2014	1						1
	2015	1	1					2
	2016	1						1
AZ	2014	1						1
	2015	1						1
	2016	1						1
CA	2014	1						1
	2015	1						1
	2016	1						1
CO	2014	1						1
	2015	1						1
	2016	1	1					2
CT	2014	0						0
	2015	0						0
	2016	0						0
DE	2014	0						0
	2015	0						0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2016	**0**						0
FL	2014	**2**		**1**				1
	2015	**1**						1
	2016	**1**	**1**					2
GA	2014	**7**	**1**					8
	2015	**8**						8
	2016	**8**	**1**					9
HI	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
IL	2014	**4**						4
	2015	**4**					**1**	3
	2016	**4**		**1**				3
IN	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
KS	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
KY	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
LA	2014	**1**		**1**				0
	2015	**1**						1
	2016	**0**						0
MA	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
MD	2014	**1**						1
	2015	**1**						1
	2016	**1**						1
MI	2014	**16**	**2**					18
	2015	**18**						18
	2016	**18**						18

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
MN	2014	**1**						1
	2015	**1**						1
	2016	**1**						1
MO	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NC	2014	**4**	**1**					5
	2015	**5**						5
	2016	**5**						5
ND	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NE	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NH	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NJ	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NM	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NV	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
NY	2014	**2**						2
	2015	**2**						2
	2016	**2**						2
OH	2014	**2**						2
	2015	**2**		**1**				1
	2016	**2**						2
OR	2014	**0**						0

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
	2015	**0**						0
	2016	**0**						0
PA	2014	**1**						1
	2015	**1**						1
	2016	**1**						1
RI	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
SC	2014	**0**	**1**					1
	2015	**1**		**1**				0
	2016	**0**						0
SD	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
TN	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
TX	2014	**4**		**1**				3
	2015	**4**		**1**				3
	2016	**3**						3
VA	2014	**4**						4
	2015	**4**		**1**				3
	2016	**3**						3
WA	2014	**1**						1
	2015	**1**						1
	2016	**1**						1
WI	2014	**0**						0
	2015	**0**						0
	2016	**0**	**1**					1
WV	2014	**0**						0
	2015	**0**						0
	2016	**0**						0
Total	2014	**54**	**8**	**4**	**0**	**0**	**0**	58
Total	2015	**58**	**1**	**5**	**0**	**0**	**1**	53

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at end of Year
Total	2016	**53**	**5**	**1**	**0**	**0**	**0**	57

Table #4 Status of Company-Owned Outlets
For years 2014 To 2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
AL	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
AZ	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
CA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
CO	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
CT	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
DE	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
FL	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
GA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
HI	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
IL	2014	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
IN	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
KS	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
KY	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
LA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
MA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
MD	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
MI	2014	1	0	0	0	0	1
	2015	1	0	0	0	1	0
	2016	0	1	0	0	0	1
MN	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
MO	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NC	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
ND	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
NE	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NH	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NJ	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NM	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NV	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
NY	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
OH	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
OR	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
PA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
RI	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
SC	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
SD	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
	2016	0	0	0	0	0	0
TN	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
TX	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
VA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
WA	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
WI	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
WV	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
Total	2014	1	0	0	0	0	1
Total	2015	1	0	0	0	1	0
Total	2016	1	0	0	0	0	1

Table #5 Projected Openings as of December 31, 2016

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
AL			
AZ			
CA	1	1	
CO			
CT			
DE			
FL	2	2	

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets In the Next Fiscal Year
GA	1	1	
HI			
IL			
IN			
KS			
KY			
LA			
MA			
MD			
MI	1	1	
MN			
MO			
NC	1	1	
ND			
NE			
NH			
NJ			
NM			
NV			
NY	1	1	
OH			
OR			
PA			
RI			
SC			
SD			
TN			
TX			
VA			
WA	1	1	
WI			
WV			
Total			
Total			0
Total	8	8	0

ITEM 21

FINANCIAL STATEMENTS

We have attached as Exhibit "C" audited financials ending December 31, 2014, December 31, 2015, and December 31, 2016

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this disclosure document

Franchise Agreement
Executive Three Pack Option Agreement
Confidentiality Agreement
SBA Loan Addendum

ITEM 23

RECEIPTS

Attached as Exhibit "H" to this disclosure document is a detachable document, in duplicate, acknowledging receipt of this disclosure document by a prospective franchisee You should sign both copies of the Receipt You should retain one copy of the Receipt for your records and return the other signed copy to LaVida Massage Franchise Development, Inc at 8550 W Grand River Ave , Suite 100 , Brighton , MI 48116

EXHIBIT A
STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

State Agencies/Agents/Administrators for Service of Process

STATE	ADDRESS	PHONE
California Los Angeles	Department of Business Oversight 320 West 4th Street Suite 750 Los Angeles CA 90013-1105	213-576-7500
California - Sacramento	Department of Business Oversight 1515 K Street Suite 200 Sacramento CA 95814-4017	916-445-7205
California San Diego	Department of Business Oversight 1350 Front Street Room 2034 San Diego CA 92101 3697	619-525-4233
California San Francisco	Department of Business Oversight 71 Stevenson Street Suite 2100 San Francisco CA 94105 2980	415-972-8559
Hawaii	335 Merchant Street Room 203 Honolulu HI 9813-2921	808-586-2722
Illinois	500 South Second Street Springfield IL 62706	217 782-4465
Indiana	302 W Washington Street Room E-111 Indianapolis IN 46204	317 232-6681
Maryland	Office of the Attorney General Securities Division 200 St Paul Place 20th Floor Baltimore MD 21202-2020	410-576-6360
Michigan	670 Law Building Lansing MI 48913	517 373-7117
Minnesota	85 7th Place East Suite 500 St Paul MN 55101	612 296-4026
New York	120 Broadway 23rd Floor New York NY 10271	212-416-8211
North Dakota	600 East Boulevard Avenue 5th Floor Bismarck ND 58505	701 328-4712
Oregon	Labor & Industries Building Salem OR 97310	503 378-4387
Rhode Island	1511 Pontiac Avenue Cranston RI 02920	401-462-9587
South Dakota	445 East Capitol Pierre SD 57501	605-773-4823
Virginia Agent for service of process State Administrator	Clerk of the State Corporation Commission 1300 E Main Street 1st Floor Richmond VA 23219 State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street 9th Floor Richmond VA 23219	804-371 9733 804-371-9051
Washington	150 Israel Road SW Tumwater WA 98501	360 902-8760
Wisconsin	345 W Washington Ave 4th Floor Madison WI 53703	608 266-8557

EXHIBIT B

LaVida Massage Franchise Operations Manual

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LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDING DECEMBER 31, 2015 AND 2014

EXHIBIT D
STATE SPECIFIC ADDENDUM TO DISCLOSURE DOCUMENT

CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT

The Califomia Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning termination, transfer, or non-renewal for a Franchise If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control

The Franchise Agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 *et seq*)

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the Franchise This provision may not be enforceable under Califomia law

The Franchise Agreement contains a liquidated damages clause Under Califomia Civil Code Section 1671, certain liquidated damages clauses are unenforceable

The Franchise Agreement requires application of the laws of Michigan This provision may not be enforceable under Califomia Law

You must sign a general release if you transfer your franchise Califomia Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (Califomia Corporations Code 31000 through 31516) Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 -20043)

Neither the franchisor, any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq

The Franchise Agreement requires binding mediation The mediation will occur at Commerce, Michigan with the costs being borne by each party equally, unless the franchisee fails to comply with mandatory mediation in which case the franchisee shall be responsible for all cost Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of Califomia and federal laws (such as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of Califomia

Section 31125 of the Franchise Investment Law requires us to give to you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

Risk Factor We reserve the right to establish alternative channels of distribution in your Psrotected Territory without compensation

EXHIBIT E
FRANCHISE AGREEMENT
AND OTHER AGREEMENTS

LaVida massage™

FRANCHISE AGREEMENT
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LAVIDA MASSAGE FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (the "Agreement) is made at , as of the ___ day of ___________________, 200___, by and between LaVida Massage Franchise Development, Inc a Michigan corporation (hereinafter called "Franchisor" "We" "Us" "Our") located at 8550 W Grand River Ave, Suite 100, Brighton., MI 48116 and _________________________________ located at__________________________________ (hereinafter called "Franchisee" "You" "Your")

Franchisee hereby acknowledges that this Franchise Agreement was accompanied by an Offering Circular which Franchisee received at least fourteen (14) calendar days before signing this Franchise Agreement or any other binding agreement with or making a payment to Franchisor or its affiliate in connection with this franchise

I. BACKGROUND

A. We are engaged in the business of franchising a unique and comprehensive system of massage therapy, health and wellness, and bodywork services as well as other related services and products ("Franchised Business")

B We and our affiliates have expended significant time, skill, effort and money to develop certain skills, concepts, business techniques, marketing systems, and a specialized method and process with uniform standards, specifications, methods, policies, procedures, systems, and information, all of which may be enhanced, improved and further developed by us periodically, for operating the Franchised Business ("Franchise System")

C We offer franchisees the right to own a LAVIDA MASSAGE Center offering products and services we authorize and using our Franchise System

D The distinguishing characteristics of our Franchise System include, but is not limited to, the interior layout and design, color scheme, signage and equipment, the name and mark LAVIDA MASSAGE, together with other trade names, service marks, trademarks, copyrights, titles, symbols, emblems, slogans, insignia, designs, diagrams, artworks, worksheets, originals, manuals, techniques, rules, ideas, philosophies, illustrations, course materials, the confidential Operations Manual and any other manuals or materials loaned to you, standards, specifications, methods, techniques, and operating procedures, advertising and promotional materials, and other audio, video, and written materials, and other elements of our Franchise System we have developed improved and further developed ("Proprietary Assets")

E You desire to obtain a franchise of LAVIDA MASSAGE You have submitted an application and other pertinent information including financial statements to us which fully and truthfully sets forth the information therein and has further advised us of all persons who will hold an interest in the franchise We have relied on all of your representations, warranties, and acknowledgements contained in your application

F You have been informed and hereby acknowledge your understanding of the fact that the successful operation of your Franchised Business will depend primarily upon your efforts, capabilities and management skills, as well as your efficient operation of the Franchised Business, the general economic trends and local marketing conditions We make no claims or representations whatsoever regarding potential sales, profits or earnings achievements by you or your Franchise Business Nothing in this agreement is intended to disclaim the representations we made in the franchise disclosure document

You intend to be legally bound, for and in consideration of the mutual covenants hereinafter following, do mutually covenant and agree

II. LICENSE & TERRITORY

A. License We hereby grant you the right to use the trade name "LAVIDA MASSAGE" and such other service marks, trademarks, logos and copyrights as we may designate from time to time, and you are designated as a participant in the Franchise System to operate an LAVIDA MASSAGE Center at one location only (hereinafter called "Center") within a specific designated geographic territory (defined in Paragraph I B as the Designated Territory), and only within that territory and subject to the provisions of this Agreement

1 Your Center will be located on a site selected by you, and approved by us, in the following area ____ At such time as we have approved a site for the Center, the location of that site shall be listed in Exhibit 1, to be attached to this Agreement (The designated premises listed in Exhibit 1 shall hereafter be referred to as "the Franchise Location ")

2 You will not open your Center until you have obtained all necessary governmental permits and approvals, and also received our written approval to do so You will not change your Franchise Location without our prior written approval Our approval of a site will in no way be considered an assurance that the Center operated at that site will be successful

B Designated Territory During the term of this Agreement, and provided that you are not in default under this Agreement or any other agreement between us and you, we will not grant to anyone else a franchise to own or operate, and will not itself operate, a massage therapy Center either under the LAVIDA MASSAGE name or under any other name, within your Designated Territory

The Designated Territory will be determined by the demographics of the area including but not limited to population, growth potential, competition, traffic patterns, etc The Designated Territory is defined in Exhibit 1 attached hereto Unless the geographic area comprising your Designated Territory is attached to this Agreement at the time you sign this Agreement, the Designated Territory shall be negotiated after you sign this Agreement Once agreed upon, Exhibit 1 shall be modified to identify the exact geographic area comprising your Designated Territory

III. TERM AND RENEWAL

A. Term This Agreement shall be effective and binding from the date of its execution and shall continue for a period of ten (10) years thereafter

B Renewal You may, at your option, renew this Franchise for unlimited additional ten (10) year terms provided that at the end of each 10 year term

1 You have given us written notice of such election at least two hundred forty (240) days prior to the expiration of the term of this Agreement We agree to give you written notice, not more than sixty (60) days after receipt of your notice, of our decision to renew or not renew the franchise If we choose to renew the notice will include the conditions or deficiencies in the operation of the Center, if any, that you must correct and the time periods in which such conditions or deficiencies must be corrected in order to be allowed to renew If you do not correct the deficiencies in the time periods indicated, we shall give you written notice of a decision not to grant a renewal based upon your failure to cure deficiencies prior to the expiration of this Agreement, and

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 or our subsidiaries and affiliates, and have substantially complied with all the terms and conditions of such agreements during the terms thereof, and

3 Upon renewal, you will execute our then-current form of franchise agreement, which agreement shall supersede in all respects this Agreement, and the terms of which may differ from the terms of this Agreement including, without limitation, the then-current royalty fee, advertising contributions, and revisions of the Designated Territory Other than the renewal fee stated herein, you will not be required to pay any new initial fees in connection with the renewal You further acknowledge that the term of this Agreement without renewal, provides you more than a sufficient opportunity to recoup your investment in the franchise, as well as a reasonable return on that investment, and

4 You will execute a general release, in a form prescribed by us, of any and all claims against us and our subsidiaries and affiliates, and their respective officers, directors, agents and employees, and

5 You must remodel the Franchise Location to bring the inside and outside of the Franchise Location up to our the then-current Standards and Specifications prior to the commencement of the renewal term, and

6 Prior to renewal, you, at your expense, will attend and successfully complete, to our reasonable satisfaction, any retraining program we may prescribe in writing, and

7 You pay us a renewal fee in an amount equal to 25% of our then current franchise fee ("Renewal Fee")

C If we do not provide you with notice of non-renewal of the Franchise and you do not sign a new Franchise Agreement prior to expiration of the term of the Franchise, and you continue to accept the benefits of this Agreement after the expiration of this Agreement, this Agreement will be treated as if it had renewed on a month-to-month basis (the "Interim Period") until one party provides the other with written notice of such party's intention to terminate the Interim Period, in which case the Interim Period will terminate thirty (30) days after receipt of the notice to terminate the Interim Period Notwithstanding anything set forth herein to the contrary (i) all of your obligations under this Agreement shall remain in full force and effect during the Interim Period as if the term of the Franchise had not expired, and (ii) all obligations and restrictions imposed on you upon expiration of this Agreement shall commence upon termination of the Interim Period

IV FEES AND PAYMENTS

A. Initial Franchise Fee You must pay a nonrecurring and nonrefundable initial franchise fee of Thirty Nine Thousand Dollars ($39,000 00) This fee is fully earned by us when you sign this Agreement The entire initial Franchise Fee is due and payable in the form of certified funds at the time you sign this Agreement

B Royalty Fee You agree to pay us, on the day of each week that we periodically specify, a non-refundable weekly royalty fee equal to five percent (5%) of the Center's Gross sales from the previous week ("Royalty Fee") The Royalty Fee shall be due on all sales recorded by you, whether or not collected The Royalty Fee shall be paid to us each week with respect to Gross Sales for the preceding week

C Auto-Debit You must sign and deliver to us the documents we require to authorize us to debit your business checking account automatically for the Royalty Fee and other amounts due under this Agreement or any related agreement between us (or our affiliates) and you We will debit your account for the Royalty Fee on or after the Payment Day, based on Gross Sales for the previous week You agree to make the funds available for withdrawal by electronic transfer before each due date If you fail to report the Center's Gross Sales for any week, we may debit your account for one hundred twenty percent (120%) of the Royalty Fee that we debited for the previous week If the Royalty Fee we debit from your account is less than the Royalty Fee you actually owe us (once we have determined the Center's true and correct Gross Sales for the week), we will debit your account for the balance of the Royalty Fee due on the day we specify If the Royalty Fee we debit from your account is greater than the Royalty Fee you actually owe us for the week (once we have determined the Center's true and correct Gross Sales for the week), we will credit the excess against the amount we otherwise would debit from your account during the following week, without interest. Some banks may charge you certain fees for electronic transfers Any fees that your bank may charge for this service will be paid by you

D Definition of Gross Sales Gross Sales means the total of all revenue and receipts derived from the operation of the Center, including but not limited to, all amounts received at or away from the site of the Center, or through or by means of the business the Center conducts, such as fees for massage services, membership fees, fees for optional member services and charges, gift certificate sales, and revenue derived from products sales, whether in cash or by check, credit card, debit card, barter or exchange, or other credit transaction, but excluding only 1) refunds to customers and credits the Center actually makes, 2) the amount of any sales taxes or other similar taxes that you might be required to pay to the taxing authorities, and 3) tips received by massage therapists In addition, should your business be interrupted for any reason in which you are receiving business interruption insurance payments, the gross amount of these payments will be considered to be your gross weekly sales and will be subject to the full weekly royalty fee

E. Taxes You agree to pay the amount of all sales taxes, use taxes, and similar taxes imposed upon or required to be collected or paid on account of goods or services furnished to you by us, whether such goods or services are furnished by sale, lease, or otherwise Further, if any governmental authority imposes any tax or other fee with respect to royalties or other items owed to us under this Agreement, you shall pay to us the amount of such tax or fee as an additional royalty due under this Agreement

F Late Payments All amounts which you owe us, including Royalty Fee payments, if not paid on the due date, will bare an interest rate of 15% per annum or the highest commercial contract interest rate that the law allows, whichever is less We will calculate the interest that we charge you on the basis of monthly compounding and the actual number of days elapsed divided by 365 We will auto debit your account automatically for these amounts You shall pay us a fee of one hundred dollars ($100) each time a check you write to us is dishonored by your bank You acknowledge that your failure to pay all amounts that you owe us when due constitutes grounds for our terminating this agreement We will automatically debit your account for these amounts

G Default Fee If you are in default of the franchise agreement and we send you a default notice, you must pay us a fee of $150 00

H Set Offs Despite any designation you make, we may apply any of your payments to any of your past due indebtedness to us or our affiliates Any right you have to set-off is expressly waived by you We may set-off any amounts you owe us or our affiliates against any amounts we or our affiliates may owe to you. Additionally, you agree that you will not, on the grounds of alleged nonperformance by us of our obligations under this Agreement, withhold payment of any fee or other amount payable to us under this Agreement or otherwise If you withhold any monies owed to us in the absence of a court order permitting the withholding of such monies, you must pay us all reasonable costs, including court costs, attorneys' fees, reasonable value for our employees' time, witness fees and travel expenses incurred pursuing the collection of the withheld monies

I Advances by Us You agree to pay to us all amounts, if any, advanced by us or which we have paid, or for which we have become obligated on behalf of you

J Software Use Fee You must comply with our standards regarding the Center Management Software Program as explained in our Confidential Manuals We are the only approved distributors for the Center Management Software Program and you must use such program We will lease to you the Center Management Software Program for a fee of $80 00 per week which we will directly auto-debited from your account on Friday for the previous week You must use this software and sign any software license agreement, or other similar agreement that we or our vendor may require for the use of the software program

V SITE SELECTION LEASE IMPROVEMENTS EQUIPMENT AND OPENING

A Site Selection You shall submit to us a complete site report containing all information we reasonably require for a site you propose for the Center and which you reasonably believe to conform to the minimum site selection criteria we establish from time to time We have the right to accept or reject all proposed sites To determine if the site is acceptable we will consider all information we deem to be material including but not limited to demographics, traffic patterns, parking, neighborhood and commercial characteristics, other area businesses, physical characteristics of the premises We shall have thirty (30) days after receipt of the requisite materials to approve or disapprove a proposed site Our approval of a site will be by delivery of written notice to you If you do not receive a written notice of approval, your proposed site is deemed disapproved. Our approval of a site will in no way be considered an assurance or warranty that the Center is suitable for a LAVIDA Massage Center or a Center operated at that site will be successful We are not responsible if the site fails to meet your or our expectations Our approval only indicates that the site meets our then acceptable criteria

B <u>Lease</u> You shall lease or buy the Franchise Location directly from its owner In the case of a lease, you must present to us the final lease agreement for our written approval prior to your execution You acknowledge that our approval of any lease for a Center does not constitute a guarantee or warranty by us, express or implied, of the successful operation or profitability of a LAVIDA MASSAGE Center operated at the premises The Franchise Location shall be used for no purpose other than the operation of a LAVIDA MASSAGE Center Any lease, in a form satisfactory to us, shall contain the following provisions 1) written notice is provided to us of any default under the lease, 2) our right, but not obligation, to cure any such default, 3) our right to assign your interest in the lease to us, at our option, without lessor's consent, 4) our right, but not obligation, to assume the lease upon termination or expiration of this Agreement without lessor's consent, 5) the lease will not be materially modified without our written consent, 6) allow us to enter the premises upon termination or expiration of this Agreement to assume compliance with the Agreement and our requirement.

C <u>Improvements</u> You shall, at your sole expense, effect leasehold improvements and install such signs, pictures, fixtures, furniture, and equipment at the Center, as are required in accordance with our current requirements and specifications in effect at the time of making the improvements or installation You further agree to place only such signs, fixtures, furniture, and equipment as specified by us or otherwise approved by us in writing

D <u>Development</u> We shall provide you with our standard specifications for the design and layout for the typical LAVIDA MASSAGE Center and with a set of typical preliminary plans and decor specifications used by us at the time of commencement of construction. You will, at your sole expense, employ architects, designers, engineers, or others as may be necessary to complete, adapt, modify, or substitute the standard specifications for your Center You shall submit to us a complete set of final plans and specifications prior to commencing construction of your Center We shall review such plans and specifications promptly and approve or provide comments on the plans and specifications to you. You shall not commence construction of your Center until we approve in writing the final plans and specifications to be used in constructing the Center We shall consult with you, to the extent we deem necessary, on the construction and equipping of your Center, but it shall be and remain your sole responsibility to diligently design, construct, equip, and otherwise ready and open your Center on a timely basis

E <u>Construction Obligations</u> You shall use a licensed general contractor satisfactory to us to perform construction work at your Center We shall not be responsible for delays in the construction, equipping, or decoration of your Center or for any loss resulting from the Center design or construction since we have no control over the Landlord or developer and numerous construction and/or related problems which could occur and delay the opening of your Center You shall provide to us a construction timeline for approval We shall have access to the Franchise Location while work is in progress and may require such reasonable alterations or modifications of the construction of the Center as we deem necessary

F Opening We may make a final inspection of the completed Center prior to opening, and may require such corrections and modifications as we deems necessary to bring the Center into compliance with approved plans and specifications You agree not to open your Center if the Center until 1) the Center conforms to all plans and specifications approved by us, 2) all required pre-opening training described in Section VI of this Agreement has been completed to our satisfaction, 3) you have satisfied all bonding, licensing and other legal requirements for the lawful operation of your Franchise Business, 4) all amounts due to us have been paid, 5) we have received satisfactory evidence that you have obtained the required insurance Failure to correct any unauthorized variance from the approved plans and specifications promptly or, subject to fire, flood, earthquake, or other similar causes beyond your control, failure to open your Center within eight (8) months after the execution of this Agreement may result in the termination of this Agreement

G Changes in Location If, subject to our approval, you change the location of your Center at any time during the term of this Agreement or any extensions or renewals hereof, subject to other provisions of this Agreement, you shall pay all costs in connection with the move, including but not limited to build out fees, construction fees, architect fees, etc

H Equipment All equipment for your business, must meet our exact specifications, including brand and model number, where designated We will designate specific or approved suppliers from whom such items can be purchased If we designate a specific supplier for any items, you must purchase the items from the specific, designated supplier You acknowledge that designated, specific suppliers may include us or our affiliates

I Computer System You agree to use in operating the Center the computer equipment, operating software and communication equipment (collectively, the "Computer System") that we specify from time to time You must obtain the Computer System, software licenses, maintenance and support service and other service related to the Computer System from the suppliers we specify You acknowledge that designated, specific suppliers may include us or our affiliates We may periodically modify specifications and components for the Computer System These modifications and/or other technological developments or events may require you to purchase, lease and/or license new or modified computer hardware and/or software and to obtain service and support for the Computer System Although we cannot estimate the future costs of the Computer System, you agree to incur the costs of obtaining the computer hardware and software comprising the Computer System (or additions or modifications) and required service or support. We have no obligation to reimburse you for any Computer System costs Within sixty (60) days after you receive notice from us, you agree to obtain the components of the Computer System that we designate and ensure that your Computer System, as modified, is functioning properly

We may charge you a reasonable fee if we develop or have developed (and, once developed, for supporting, modifying and enhancing) proprietary software that we license to you and for other Computer System maintenance and support services that we or our affiliates use similar technology we develop or maintain, you agree to sign any software license agreement or similar document that we or our affiliates prescribe to regulate your use of, and our and your respective rights and responsibilities with respect to the software

Notwithstanding the fact that you must buy, use and maintain the Computer System under our Standards and Specifications, you will have sole and complete responsibility for (1) the acquisition, operation, maintenance and upgrading of the Computer System, (2) the manner in which your Computer System interfaces with our computer system and those of other third parties, and (3) any and all consequences that may arise if the system is not properly operated, maintained and upgraded

J Exterior and Interior Signs All signs used at the Franchise Location, both exterior and interior, must conform to our sign criteria at the time the signage or display is installed as to type, color, size, design, and location All signs must be approved in writing by us prior to installation or display

K Opening Inventory Prior to the opening of the Center, you shall purchase an opening inventory of products, materials and supplies which we have approved for use and/or sale at LAVIDA MASSAGE Centers

L Specific and Approved Suppliers If we designate an approved supplier for any items, but do not designate that supplier as the sole, specific provider for such items, then so long as the items purchased by you meet our exact specifications at the time of purchase, you may request approval for the purchase of such items from other sources by following the requirements specified in Section VII B , but such approval may be withheld for any reason If we grant approval to any variance in specification or in an approved supplier, which approval shall be left to our sole discretion, you shall remain responsible for any increased costs in such items, and in the design, construction, utilities, or installations necessitated by such substitutions You acknowledge that approved suppliers may include us or our affiliates

M Upkeep Maintenance Maintenance and repair of the Center is your sole responsibility You shall maintain pictures, equipment, decor, furnishings, fixtures, and all other tangible property in the Franchise Location in excellent condition and repair and shall replace any of the Center's equipment or fixtures which become obsolete or mechanically impaired to the extent that such equipment, fixtures, or displays no longer adequately perform the functions for which they were originally intended Replacement equipment, fixtures, and displays shall be of the same type and quality as are being used in LAVIDA MASSAGE Centers being installed at the time replacement is required All replacement pictures, decor, equipment, displays and fixtures shall comply with our then current requirements and specifications

N Indemnification You are strictly responsible for the acts or omissions of your contractors regarding compliance with all specifications and requirements provided by us, and we shall have no responsibility for such acts or omissions We shall not be liable for any loss or damage arising from the design or plan of the Center by reason of its approval of plans and specifications, or otherwise You shall indemnify us for any loss, cost, or expense, including attorneys' fees, that may be sustained by us because of the acts or omissions of your contractors or arising out of the design or construction of your Center

O Remodeling You shall be required to periodically make reasonable capital expenditures to remodel, modernize and re-decorate the Franchise Location so that the premises reflect the current image intended to be portrayed by LAVIDA MASSAGE Centers All remodeling, modernization and redecoration of the Franchise Location must be done in accordance with the Standards and Specifications that we prescribed from time to time and with our prior written approval All replacements must conform to our then current quality Standards and Specifications and must be approved by us in writing We may inspect, but shall not be obligated to inspect, such work at any time to determine that the work is done in accordance with our approved plans and specifications Notwithstanding any remodel which may be required at time of renewal, we shall not require you to remodel, modernize and re-decorate the Franchise Location more than once during the initial term of the Franchise Agreement or more than once during any renewal term thereof

VI TRAINING - PRE-0PEN1NG AND OPENING ON-SITE ASSISTANCE INSPECTIONS

A. Initial Training Prior to the opening of the Clinic, we shall provide an initial training program to you and two of your designated management personnel in Commerce, Michigan or at place we designate The initial training will include approximately one (1) week of classroom training, and approximately (1) week of hands on training You are responsible for all of travel, lodging, and meal expenses of you and your personnel The training, other than the training at your Center, may be in a group format with other franchisees If you wish to send additional personnel to the initial training, you will pay an additional fee of $125 per person, per day in addition to all travel, lodging and meal expenses for the additional personnel

B On-Site Assistance Upon execution of this Agreement, together you and we will select a target opening date for the Center Provided this date does not change, or if it is changed, you notify us of the new date three (3) weeks prior and we will have a crew available to assist you with the opening of the Center, we will provide you, at no additional cost, opening assistance for a period of approximately five (5) days, typically commencing upon opening the Center to customers for business We shall determine, in our sole discretion, the composition of the on-site assistance team If we determine, at our sole discretion, that additional on-site assistance is necessary or beneficial, we have the right, at our option, to provide such additional on-site assistance You will be required to pay reasonable fees for any such additional on-site assistance and will also be responsible for the travel or living expenses incurred by our personnel in providing such additional on-site assistance

C Satisfactory Completion You understand that it is of paramount importance that you and your employees or representatives know the LAVIDA MASSAGE system Therefore, failure to complete the training to our satisfaction shall result in a delay in the opening of the Center, as we reserve the right, in our sole discretion, to require you or your designee to attend additional training and we will charge you an additional training fee of $250 00 per day per person If you are unable to complete and pass the training, we reserve the right, in our sole discretion, to terminate this Agreement and refund the Initial Franchise Fee, less and administrative charge equal to twenty-five (25%) of such Fee

D Trained Manager You specifically agree that only persons trained by us, or our designated trainers, shall have overall responsibility for the operation of the Center You must have a designated manager for your Center that has completed the LAVIDA MASSAGE training The designated manager can either be yourself or your designee If you or your designated manager reduce direct personal daily operating activities in the Center to less than an average of forty (40) hours per week, you must designate a subsequent manager to supervise the Center, and immediately notify us of the designation of the subsequent manager We shall provide a training program to the manager, consisting of approximately two (2) weeks, of training, as we determine, in our sole discretion, at a site to be designated by us You will send your manager to this training program, will pay all expenses of your manager for attendance at the program, and will pay a fee to us for providing the training

E Additional Training You have the right to request additional training from time to time and we shall, at our sole discretion, provide such training to you, or your manager, at such times and places and for such duration as we deems necessary, provided that you are required to pay the cost of such additional instruction and training, including the cost of transportation, meals, lodging, and the current charge for the services of our representative, which costs shall be paid in advance We, in our sole discretion, may require any person or persons employed in a managerial or other responsible capacity by you to complete additional training designated by us, subject to the required costs of training additional persons

F Inspections We will inspect the Franchise Location from time to time to enhance uniformity and quality control Our personnel or designated agent shall have the right to enter the Center at any reasonable time and without prior notice to you for the purpose of examination, conferences with you or your employees, inspection of operation and testing of the products and services sold in the Center, auditing, and all other purposes in connection with the determination that the Center is being operated in accordance with the terms of this Agreement, the mandatory provisions of our Confidential Manuals, and other applicable rules You will allow our personnel or representatives on the Center premises to monitor the operation of the cash registers and computers in the Center for such periods of time as we may determine to be necessary at no expense to you You agree to remedy any defects, deficiencies, or unsatisfactory conditions discovered at the Center by our personnel immediately upon being advised of same

VII FRANCHISE OPERATION

In order to protect our goodwill and our trade practices, it is agreed as follows

A. Standards of Quality We have developed and shall continue to develop standards and specifications for the operation of a LAVIDA MASSAGE Center ("Standards and Specifications", "Standards" or "standards") Standards and Specifications shall be established at our sole discretion, and may be modified from time to time by us, without limit

We shall at all times during the term of this Agreement determine the standards of quality, service, and advertising for the Center We have developed and continue to develop a proprietary program that we will provide for use by you in the operation of your Center You shall sell no product, service, or other item at the Center other than products and services approved by us All products and services shall be provided in strict compliance with our Standards and Specifications, and requirements as from time to time prescribed by us You shall submit to us for approval all contemplated changes and all additions to or deletions from the products and services offered in the Center You agree not to make such changes without our prior written consent

B Confidential Manuals The mandatory provisions of our manuals, guides, guidelines, handbooks, and binders, developed from time to time by us, shall govern the operation of your business (For purposes of this Agreement, such manuals, guides, guidelines, handbooks and binders developed from time to time by us are referred to herein collectively as the "Confidential Manuals") Changes in the provisions and in other, recommended Standards and Specifications, and procedures, may be made by us as deemed advisable by us You will operate your Center in accordance with the mandatory Standards and Specifications, and procedures set forth in the Confidential Manuals, will comply with any changes in such mandatory Standards and Specifications, and procedures as may become necessary and desirable, and will accept as reasonable any modifications, revisions, and additions to the Confidential Manuals which we, in the good faith exercise of our judgment, believe to be necessary We shall loan a copy of the Confidential Manuals to you within a reasonable time after signing this Agreement. You shall retain the Confidential Manuals on your Center's premises and will keep such Manuals up to date by inserting any supplements and amendments that we provide You shall not make any copies of the Confidential Manuals, and shall return the Confidential Manuals to us immediately upon termination or expiration of this Agreement. We may also add additional manuals from time to time which shall be deemed to be included in the definition of "Confidential Manuals "

You acknowledge and agree that all mandatory Standards and Specifications, and operating procedures, and all minimum inventory standards, prescribed from time to time by us in the Confidential Manuals or otherwise communicated to you in writing, shall constitute binding obligations on your part as if fully set forth herein, and any failure by you to adhere to such mandatory Standards and Specifications, and operating procedures shall constitute grounds for termination of this Agreement by Franchisor, as provided herein You further acknowledge that the Confidential Manuals are designed to protect our standards, systems, names and marks and not to control the day-to-day operation of your LAVIDA MASSAGE Center

C <u>Trade Practices</u> You agree that we have the sole right to the trade practices used in the LAVIDA MASSAGE system and that no goodwill associated with any of the trade practices shall inure to you. It is further agreed that the items of the trade practice constitute our trade secrets of which are revealed to you in confidence, and you will not, at any time during the term of this Agreement, or any time thereafter, use or attempt to use the trade practices in connection with any other entity or business in which you have an interest, direct or indirect, nor shall you disclose, duplicate, reveal, sell, or sublicense the trade practices or any part thereof or in any way transfer any rights in the trade practices except as authorized by us

D <u>Names and Marks</u> You, in conducting your LAVIDA MASSAGE Center shall use all trade names, trademarks, and service marks, in such art form and in such logo form, as specified by us You acquire no rights in, and shall not under any circumstances use the trade names, trademarks or service marks outside the Designated Territory You further acknowledge that we may, at our sole discretion, modify, substitute or discontinue use of any trade names, trademarks, service marks, logos, domain names, or other commercial names or symbols (hereinafter called "Names"), or use one or more additional or substituted Names, and, you agree to operate under such Names as directed by us, in our sole discretion, and to immediately cease using such Names when directed by us in writing We shall have no obligation to reimburse you for any expenditure made by you to modify or discontinue the use of any Names, or to adopt additional Names, including, without limitation, any expenditures relating to advertising or promotional materials, or to compensate you for any goodwill related to the discontinued Names

You shall not establish your own website or webpage without prior written approval from us If you are approved for a webpage, the approved webpage must link off of our website and your website must link back to our website We can revoke the approval for you website at any time for any reason

If it becomes advisable at any time in the discretion of us to modify or discontinue use of any Names or to use one or more additional or substitute Names, you are obligated to do so, and we are under no obligation to reimburse you for any expenditures, including, without limitation, any expenditures relating to advertising or promotional materials or to compensate you for any goodwill related to the discontinued Names You agree not to contest our title to any Names

You may not use the Names in connection with the operation of a business at any location other than the LAVIDA MASSAGE Center location approved by us, and you shall not use the Names in connection with the name of any corporation, partnership or limited liability company involved in this business You acknowledge that you have no ownership, title or interest in the Names other than that granted herein for use in operation of its business in compliance with this Agreement, that we are the sole owner of the Names, and that any goodwill generated by the use of the Names, including any customer lists, shall belong to us You shall, at no time, infringe upon, or contest the validity of the Names or assist any other person in infringing upon or contesting the validity of the Names

You shall notify us immediately in writing of any infringement of or challenge to your use of any Names, or claim by any person of any right in any of the Names, or in any similar trade name, trademark or service mark You shall not communicate with anyone other than us and our counsel in connection with any such infringement, challenge or claim We shall have sole discretion to take such action as it deems appropriate, and the right to exclusively control any litigation or administrative proceeding related to the Names, including the right to settle any such actions or proceedings

E Maintenance of Exterior and Interior Decor You shall at all times maintain the interior and exterior of your Center and the surrounding area in the highest degree of cleanliness, orderliness, and sanitation, and shall also comply with the requirements of the Confidential Manuals regarding the upkeep and decor of the Center You shall immediately comply with all orders and regulations of applicable state and local health and safety administrations You shall repair, refinish, or paint the exterior and the interior of the Franchise Location at your own expense at such times as we reasonably direct

F Hours of Operation. You shall operate your Center a minimum of six (6) days per week during hours established by and approved, in writing, by us We shall not unreasonably withhold our approval of set hours of operation

G Center Supervision Your Center shall at all times be supervised, on a full- time basis, by you, or if you are a corporation, partnership or limited liability company, by the principal shareholder, partner or managing member of such entity or by a designated manager as described in Section VI D of this Agreement All other persons involved in the management of the business must be trained to the satisfaction of and approved by us in the methods and procedures of the franchised system At all times during which the Center is open, at least one of these persons must be physically on the premises of the Center and oversee the performance of services and the supervision of personnel and accounting at the Center You acknowledge that your failure to comply with this provision at all times shall not only constitute a material default of this Agreement that permits us to terminate this Agreement, but it will also jeopardize the viability of your business

H Your Efforts You shall devote your full time efforts to the operation of your franchised business throughout the term of this Agreement Notwithstanding the foregoing, you may designate a manager to supervise the Center, provided you comply with the provisions of Section VI D with respect to the training of such manager You shall exert your best efforts to establish, maintain, and increase sales of approved services and other products approved for sale by us under the LAVIDA MASSAGE trademarks, service marks, and trade names, and shall at all times maintain a supply of products and services to meet public demand

I. Personnel All personnel employed by you shall maintain such standards of sanitation, cleanliness, propriety and demeanor as shall be established by us All personnel performing managerial or supervisory functions, all personnel receiving special training and instruction, and all persons employed by you having access to any of our trade practices shall execute a non-competition and nondisclosure agreement in the form prescribed by and in the sole discretion of us, pursuant to which such personnel shall agree not to work for any competitor of us or you during the period of their employment and further agree not to disclose any of the trade practices which may be disclosed to them You shall, at its sole expense and upon our written order at our sole discretion, enforce such agreement where valid under applicable law

J Maximum Prices We may periodically establish maximum prices for services and products that the Center offers, including without limitation, prices for promotions in which all or certain LAVIDA MASSAGE Centers participate If we establish a maximum price for any product or service, you agree not to exceed that price, but may charge any price for the product or service up to and including the maximum price we establish

K Sale of Our Products You shall not sell, dispense, give away, or otherwise provide our products or services bearing our trademarks, trade names, or service marks, except by means of retail sales in the Center within the Designated Territory, without the written approval of Franchisor, which approval can be withheld or withdrawn for any reason You will at all times carry a representative sample of the various products proscribed by us as may be more specifically detailed by us You will at all times maintain minimum inventories of these products to satisfy the reasonable demands of its customers throughout the day

L Our Employees You shall not interfere with our employees and agents in the performance of such employees' and agents' duties, and further agree you will not employ any of our employees or agents, or employees or agents of our parent or affiliate, for a period of at least one (1) year following the separation of any such employee from employment by us, our parent, or affiliate, or the termination of an agency relationship with us, our parent, or affiliate, without our written approval

M Your Cooperation You shall cooperate with us in taking any action or refraining from taking any action which, in our judgment, is necessary or desirable to promote and enhance the quality of the products offered in the Center, the services provided by the Center, or the image of the Center in the community You shall attend all meetings as we deem mandatory and as we deem in the best interest of the system as a whole Except to the extent we unilaterally offer to pay all or part of the cost of attendance, the cost of attending said meetings shall be borne by You, including the cost of transportation, meals, lodging, and a reasonable charge for the services of our training representative

N Services Offered Standard offered services and products are required by us and shall be offered by you in your Center We may change the standard offered services and products at any time in our sole discretion No changes, additions, or deletions in the standard services and products offered shall be adopted by you unless first approved in writing by us Notwithstanding the foregoing, prices that appear for the standard products and services offered shall be set exclusively by you

You also acknowledge and agree that if we require you to offer new or substitute products or services not currently offered at LAVIDA MASSAGE Centers, you agree to offer such products or services in strict compliance with our Standards and Specifications, and procedures prescribed in writing or the Confidential Manuals and to diligently pursue obtaining any licenses and permits and take such actions (including, without limitation, constructing improvements and acquiring fixtures, furnishings, equipment, supplies and materials, or hiring additional trained/licensed personnel) required to offer such products and/or services You acknowledge and understand that such modifications to the services and/or products to be offered in the Center may require you to incur additional costs and expenses to operate the Center including, without limitation, the hiring of additional licensed personnel, the purchase and/or lease of additional or substitute furnishings, fixtures, equipment, and you agree to incur such expenses in connection therewith

You acknowledge that we may designate an independent evaluation service to conduct a quality control and evaluation program with respect to company-owned, affiliate-owned, and franchised LAVIDA MASSAGE Center You agree that your Center will participate in such programs, as prescribed and required by us, and as may be more fully described in the Confidential Manuals or in writing by us You agree to timely pay the then-current charges imposed by such evaluation service for your Center's participation in such program

O Center Compliance with Laws and Procedures You shall operate the Center in strict compliance with all applicable laws, rules, and regulations and in strict compliance with the standard procedures established by us All costs that may be incurred in order to maintain and implement such standard procedures shall be bore by you at your sole expense Because complete uniformity under varying conditions may not be possible or practical, we reserve the right, at our sole discretion, to vary standards for any franchisee based on any conditions which we deem to be of importance to such franchisee's business You accept the necessity of such variances in special cases, and although you may request a similar variance if your condition is similar, no variance to one franchisee shall ever imply or require a variance of standards to any other franchisee

You shall obtain all licenses required for the full and proper conduct of its business, including, without limitation, the licensing of all massage therapists if required by the applicable laws, building and other required construction permits, fictitious name registrations, sales tax permits, health department registrations, and fire clearances Copies of all subsequent inspection reports, warnings, certificates and ratings issued by any governmental entity during the term of this Agreement which indicate your failure to meet or maintain the highest governmental standards or less than full compliance with any applicable law, rule or regulation shall be mailed to us within three (3) days of your receipt thereof

P Compliance with Standards and Specifications You acknowledge that compliance with the entirety of the Standards and Specifications is essential for the success of the Center In addition, you acknowledge and agree that operating and maintaining the Center according to the Standards and Specifications are essential to preserve the good will of the Marks and all LAVIDA MASSAGE Centers Therefore, you agree at all times to operate and maintain the Center according to each and every Standard and Specification, as we periodically modify and supplement them Except as otherwise specifically set forth in this Agreement, Standards and Specifications may regulate any aspect of the Center's operation and maintenance

Q Uniforms and Attire We shall be entitled to prescribe standard uniforms and attire for all of your Center personnel in order to enhance our products, services and format. You shall be entitled to obtain such uniforms and attire from any manufacturer or distributor, so long as the uniforms are of a reasonable quality and in strict accordance with our design and other specifications

R. National Accounts For purposes of this Agreement, a "National Account" shall be considered an account that has locations both inside and outside the Designated Territory

We may from time to time solicit National Accounts for LAVIDA MASSAGE products and services If we negotiate an agreement to provide services to a National Account that has locations within the Designated Territory, we will give you the first right to provide product and services to the outlets of that account in the Designated Territory on the terms negotiated for such account by us, provided that you are current in all of your financial and reporting obligations to us, and not in material breach of any of your other obligations under this Agreement or under any other agreement with us or our affiliates If you have not met these requirements, or if you do not choose to service the account, or do not begin servicing the account within fifteen (15) days of notification from us, then we shall have the right to ourselves service the outlets of that account in the Designated Territory, or appoint any other person or franchise to do so, without compensation to you We may also from time-to-time offer you the opportunity to service National Accounts outside the Designated Territory if we believe you are in a better position to service those accounts than any other LAVIDA MASSAGE Center If we permit you to service such accounts, it is subject to your agreement that in addition to all of the other standards and requirements imposed upon you with respect to the National Accounts, we may, upon thirty (30) days notice to you, reassign those accounts at any time we believe another LAVIDA MASSAGE Center is either closer in proximity to those accounts, or better able to service such accounts, whether such other Center was in existence at the time you were permitted to service such account, or is established at a later date If you begin servicing a National Account, whether within the Designated Territory, or outside the Designated Territory, but fail to comply with any provision of this Agreement or any other Agreement with us or our affiliates, or fail to comply with any other rule, regulation or standard adopted by us for the servicing of such account (including standards that may be unique to the particular account), and do not cure such failure within fifteen (IS) days after notification from us, then we may immediately terminate your right to service the account and we may ourselves service the account, or appoint any other person to do so In addition, if the account itself complains to us concerning your servicing of the account, or customers of the account complain about the quality of the LAVIDA MASSAGE products and services provided to the account, we shall have the right to immediately terminate your right to service the account and to thereafter service the account ourselves or appoint another person to do so, without compensation to you In the event of complaints by the account concerning your servicing of the account, or by customers concerning the quality of the products and services provided to the account, we shall attempt to notify you of such complaints, but shall not be required to delay in exercising the right to have you discontinue servicing the account if we, in our sole discretion, determine that such delay could jeopardize our rights or other of our franchisees to service other locations of such account, or the goodwill associated with our products and services If you are notified that you are to discontinue servicing an account for any reason you shall take no action against the National Account that will or might jeopardize the relationship between us or our other franchisees, and such account

Before you solicit any National Account, you shall notify us and obtain our written consent, which consent may be withheld for any reason If you obtain the account, you may only service locations of the account within the Designated Territory unless otherwise approved by us You acknowledge, however, that if we approve your solicitation or service of locations of the account outside the Designated Territory, such approval may be withdrawn for any reason upon thirty (30) days notice to you, and further that it is likely to be withdrawn if another LAVIDA MASSAGE Center is established that is closer in proximity to such account, or if we believe another LAVIDA MASSAGE Center is better able to service that account. Moreover, you shall provide information to us as to the terms under which you are servicing the account, and, if known to you, the availability of other locations of such account outside the Designated Territory, so as to enable us to either service such additional locations, or assign another person to service those locations

S Vending Machines No vending machines, amusement devices, video machines, or other devices of any nature, except as approved by us, whether or not coin operated, shall be installed or used at the Center

T Charitable Events An important part of LAVIDA MASSAGE'S mission statement is to serve the local communities in which the LAVIDA MASSAGE Centers operate Thus, you are required to conduct or participate in a minimum of one (1) charitable promotional events per year in the Designated Territory Each such event must receive our prior written approval You agree to submit details of results of such events on a form provided by us, including the nature of the event, charity served, use of proceeds, amounts raised and any other newsworthy facts within ten (10) days following the event We have the right to publish the submitted details in a newsletter that may be distributed to other LAVIDA MASSAGE Centers and the media

U Market Research and Test Programs You agree to participate in any market research and test programs required or approved by us concerning various aspects of your business, including, without limitation, procedures, systems, techniques, furnishings, fixtures, equipment, signs, labels, trade dress, logos, packaging, display racks, supplies, coupons, promotions, marketing materials and strategies, merchandising and new services You agree, if requested by us, to participate in our customer service surveys and market research programs

V Membership Accounts In the event that Franchisor establishes a membership account program with customers of LAVIDA MASSAGE, you agree to provide services to those customers pursuant to the guidelines that we put forth for the membership accounts

W Reciprocity In the event that Franchisor offers memberships to LAVIDA MASSAGE Centers, during the term of this Agreement, upon proof of a valid and current LAVIDA MASSAGE Center membership, you must allow any member of another LAVIDA MASSAGE Center to receive services a the Center at or below the reciprocity rates we specify from time to time in the Operations Manual Members of the Center will have similar reciprocal rights with all other LAVIDA MASSAGE Centers

VIII SUPPLIERS APPROVED PRODUCTS

A. Products and Supplies All products and supplies used in your Center must meet our exact specifications, which specifications may be modified from time to time You may not alter any product or substitute unbranded for branded products You shall be required to purchase such items from manufacturers and/or suppliers that we approve You acknowledge and agree that we and /or our affiliates may derive revenue based on your purchases and leases (including, without limitation, from charging you for products and services we or our affiliates provide to you from promotion allowances, volume discounts, and other payments made to us by suppliers that we designate or approve for some or all of our franchisees) We shall not be liable to you for the failure of any recommended supplier to timely deliver any item to you

B Your Recommended Suppliers If you desire to utilize a manufacturer or supplier other than one recommended by us for any products or supplies, or use any product that we have not yet approved for use in your Center you must first obtain our consent In requesting such consent, you shall pay to us a fee in an amount set from time to time by us and provide to us the name of the proposed supplier, and any information we may request from such supplier, including but not limited to samples of products proposed to be supplied, and information about the supplier's financial condition and ability to provide such items If you provide all items and information requested by us, we will use reasonable efforts to test and evaluate such products and sources and shall approve or disapprove such products and sources based on our tests and evaluations and upon the following conditions

1 You shall submit a written request to us for approval of the product or supplier

2 The supplier shall demonstrate to our reasonable satisfaction that it is able to supply a commodity or product to you meeting our specifications for such commodity

3 The supplier shall demonstrate to our reasonable satisfaction that the supplier is of good standing in the business community with respect to its financial capabilities and the reliability of its product or service

Nothing contained herein shall be deemed to require us to approve an inordinate number product or of suppliers of a given item, which, in the our reasonable judgment, would result in higher costs to our franchisees or prevent effective and economical supervision of suppliers by us Further, we may condition our approval of a supplier on requirements relating to product quality, prices, consistency, warranty, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service or other criteria. We shall not be responsible for any action or inaction of any supplier recommended by any franchisee The fee for the investigation shall be due and payable upon receipt of the invoice for the investigation and in any event, prior to the commencement of our investigation

C <u>Effect of Approval</u> Our approval of any supplier shall not be considered an endorsement or warranty of that supplier or its products, nor a representation that the supplier will always be able to meet the needs of the franchisees We reserve the right to periodically re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier does not continue to meet our criteria

IX. INSURANCE AND HOLD HARMLESS

Throughout the term of this Agreement, you shall maintain in effect at all times policies of insurance in the minimum requirements set for below with an "A" (or better) rated insurance carrier at your sole cost and expense and provide us with proof of coverage on demand

A <u>Insurance Policies</u>

i <u>Bodily Injury and Property Damage</u> Comprehensive general liability insurance and umbrella insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Center, containing minimum liability protection of One Million Dollars ($1,000,000) combined single limits per occurrence, and Two Million Dollars ($2,000,000 00) in the aggregate (unless greater amounts are required by your landlord, local governmental authority, etc) with a maximum deductible of One Thousand Dollars ($1,000 00) per claim

ii <u>Workers' Compensation</u>. Workers' Compensation and employer's liability insurance as required by law iii Auto Insurance Comprehensive and collision auto liability insurance, on vehicles being used by the franchised business, with deductibles not to exceed One Thousand Dollars ($1,000) but in no instance less than One Million Dollars ($1,000,000) combined single limits for bodily injury and property damage

iv Business Interruption Insurance Business interruption insurance in a sufficient amount to cover profit margins, maintenance of competent and desirable personnel, and fixed expenses including a reasonable operator's fee for one hundred eighty (180) days

v Risk Replacement Coverage All risk replacement cost coverage

vi Professional Liability Coverage Coverage required for all Therapists and Estheticians including sexual molestation coverage

B Waiver of Subrogation Notification by Carrier All insurance policies required in this Section shall name us (and our members, officers, directors, and employees) as additional insured, contain a waiver by the insurance carrier(s) of all subrogation rights against us, and shall provide that we receive thirty (30) days prior written notice of termination, expiration, cancellation, or modification of any such policy Should any of your insurance companies fail to give us notice as required in this Section, the policy of that company may be disapproved by us In that event, you will be required to immediately find additional coverage satisfactory to us with an alternative carrier

C Notification of claim You shall promptly notify us of any and all claims against you and/or us under said policies of insurance

D Certificate of Insurance, Coverage by Us You shall furnish to us annually a copy of the certificate of insurance or other evidence of the renewal or extension of each such insurance policy If you at any time fail or refuse to maintain in effect any insurance coverage required by us, or to furnish satisfactory evidence thereof, we, at our option and in addition to our other rights and remedies in this Agreement, may be need not obtain such insurance coverage on behalf of you, and you shall promptly execute any applications or other forms or instruments require to obtain any such insurance and pay to us on demand any costs and premiums incurred by us and we may at our option debit your account for the amount of such costs or premiums Your failure to provide insurance coverage as indicated will be consider a material event of default of this Agreement Your obligation to obtain and maintain the insurance described in this Section shall not be limited in any way by reason of any insurance maintained by us, nor shall your performance of such obligation relieve you of any indemnification obligations contained in this Agreement

E. Modification of Coverage by Us Upon ten (10) days notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification or special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances

X. MARKETING AND ADVERTISING

A Grand Opening Marketing Program You must, at your expense, and with our prior written approval, execute a grand opening marketing program for the Center in accordance with our Standards for grand opening of LAVIDA Massage Centers in varying market conditions You agree to spend a minimum of $5,000 on the grand opening marketing program You agree to use only the media, materials, methods and formats we develop or approve according to this Section X of this Agreement and the Standards we provide from time to time Franchisee must execute grand opening within 60 days of initial opening of their Center

B Obligations of Franchisor All advertising that extends beyond the Designated Territory shall be referred to in this Agreement as "institutional" advertising We may develop, at our sole discretion, institutional public relations, advertising, and promotional campaigns designed to promote and enhance the value of all LAVIDA MASSAGE We may make such materials available for use by you, but you shall pay the cost of distributing or placing these materials in the Designated Territory We are under no obligation to purchase or place any advertising for LAVIDA MASSAGE Centers as it is your obligation to advertise and promote your Center You will discontinue using any advertising materials provided by us upon notice from us, and we may determine to modify our advertising materials, advertising methods, or image, from time to time Moreover, such advertising may contain copyrighted artwork for which we obtain only a limited license In all phases of institutional advertising activities, including, without limitation, type, quantity, timing, placement, and choice of media or agency, our decision shall be final

C Restrictions on Franchisee You shall not engage in any institutional advertising activities directly Any sign, material, or notice of any type displayed in the Center shall be displayed and produced in a professional manner in keeping with our top quality image In the event of a breach of this Paragraph, we shall have the right to unilaterally terminate or remove any unauthorized material at the expense of Franchisee

D Local Center Promotion. You agree to spend a minimum of twenty five hundred dollars ($2,500) per month for the first twenty four (24) months in business and (4%) of gross sales after twenty four months on local advertising, marketing and promotional programswithin the Designated Territory All local promotion should be in effect within thirty (30) days after the Center opening We may request periodically during the term of this Agreement that you provide us with copies of all statements, invoices, and checks issued during the preceding year by you evidencing the expenditure of sums for local public relations, advertising, and promotion purposes We may require, at our sole discretion, minimum placements of advertising such as requiring placement in your local telephone directory You may credit the cost of any such requirements toward the minimum spending requirement

E. Use and Approval You agree that your advertising, promotion and marketing will be completely clear, factual and not misleading and conform to the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time All media use, advertising, publicity, signs, decorations, equipment or other materials employing, in any way, the word "LAVIDA MASSAGE" or any derivative thereof, or any of our logos, service marks or trade names, shall be submitted to us for written approval prior to publication or use "Media use" as used herein includes, but is not limited to, printed publications, video, radio and personalized products such as t-shirts We may provide specific guidelines for advertising and promotion initiated by individual franchisees or groups of franchisees on a cooperative basis and we reserve the right to disapprove any advertising or promotion which, in our sole opinion, is not in the best interest of the franchise system

F Cooperative Advertising You shall at all times cooperate with us and other LAVIDA MASSAGE franchisees in any and all sales, public relations, advertising, cooperative purchasing programs, or promotional programs calling for the cooperation of multiple franchisees and shall further cooperate in such other programs as may be designated by us You shall display our flyers aimed at recruiting new franchisees on a sales counter or bulletin board in the customer sales area of your Center

G Marketing Fund Recognizing the value of advertising and marketing to the goodwill and public image of LAVIDA MASSAGE, we have established a marketing fund (the "Marketing Fund") for the advertising, marketing and public relations programs and material we deem appropriate You agree to contribute to the Marketing Fund one percent (1%) of the Center's Gross Sales, payable in the same manner as the Royalty Fee LAVIDA MASSAGE Centers operated by us or our affiliates will contribute to the Marketing Fund on the same basis as our franchisees

We will designate all programs that the Marketing Fund finances, with sole control over the creative concepts, materials and endorsements used and their geographic, market and media placement and allocation The Marketing Fund may pay for preparing and producing video, audio and written material and electronic media, administering regional and multi-regional marketing and advertising programs, including, without limitation, purchasing trade journal, direct mail, radio and other media advertising and using advertising, promotion and marketing agencies and other advisors to provide assistance, and supporting public relations, market research and other advertising, promotion and marketing activities The Marketing Fund periodically will give you samples of advertising, marketing and promotional formats and materials at not cost and will sell you multiple copies of these materials at its direct cost of producing them, plus any related shipping, handling and storage charges

We will account for the Marketing Fund separately from other funds and not use the Marketing Fund for any of our general operating expenses, except to compensate the reasonable salaries, administrative costs, travel expenses and overhead we incur in administering preparing advertising, promotion and marketing materials, and collecting and accounting for Marketing fund contributions The Marketing Fund will not be our asset The Marketing Fund is not a trust, and we do not owe you fiduciary obligations because of our maintaining, directing or administering the Marketing Fund or any other reason The Marketing Fund may spend in any fiscal year more or less than the total 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 Marketing Fund contributions to pay costs before using the Marketing Fund's other assets We will prepare an annual, unaudited statement of Marketing Fund collections and expenses and give you the statement upon written request We may incorporate the 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 subsection

We intend the Marketing Fund to maximize recognition of the Marks and patronage of LAVIDA MASSAGE Centers Although we will try to use the Marketing Fund to develop advertising and marketing materials and programs, and to place advertising and marketing that will benefit all LAVIDA MASSAGE Centers, we need not ensure that Marketing Fund expenditures in or affecting any geographic area are proportionate or equivalent to the Marketing Fund contributions by LAVIDA MASSAGE Centers in that area or that any LAVIDA MASSAGE Center benefits directly or in proportion to its

Marketing Fund contribution from the development or placement of advertising and marketing materials We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Marketing Fund contribution at the Marketing Fund's expense We also may forgive, waive, settle and compromise all claims by or against the Marketing Fund Except as expressly provided in this subsection, we assume no dire or indirect liability or obligation to you for collection amount due to maintaining, direction or administer the Marketing Fund

We may at any time defer or reduce the Marketing Fund contribution of a LAVIDA MASSAGE Center franchise (an can later reinstate the Marketing Fund contributions at any time) and upon thirty (30) day's prior written notice to you, reduce or suspend Marketing Fund contribution and operation for one or more periods of any length and terminate (an, if terminated, reinstate) the Marketing Fund If we terminate the Marketing Fund, we will distribute all unspent monies to our franchises, and to us and our affiliate, in proportion to their and our respective Marketing Fund contributions during the preceding twelve (12) month period

XI. <u>INDEMNIFICATION</u>

You agree to defend at your own cost and to indemnify and hold harmless us, our shareholders, directors, officers, employees, and agents, from and against any and all loss, costs, expenses (including attorneys' fees), damages, and liabilities arising out of your or your agents and employees alleged negligence, breach of contract, or other civil or criminal wrong, resulting directly or indirectly from or pertaining to the use, condition, construction, equipping, decorating, maintenance, or operation of the Center, including but not limited to the sale of any product sold from the Center, any service provided at the Center, or any acts of impropriety between you or your employees and a client of LAVIDA MASSAGE Such loss, claims, costs, expenses, damages, and liabilities shall include, without limitation, those arising from latent or other defects in the Center, whether or not discoverable by us, and those arising from the alleged death or injury of any person or arising from damage to your property, our property or our agents or employees, or any third person, firm, or corporation

XII <u>REPORTING PAYMENTS AND FALSE STATEMENTS</u>

A <u>Reporting Obligations of Franchisee</u> During the term of this Agreement, you shall deliver to us

1 By the tenth (10th) day of each month, a monthly statement of Gross Sales and other information required by us for the preceding month,

2 On or before the twenty-fifth (25th) day of each month, a monthly balance sheet and profit and loss statement for the previous month, reflecting the financial condition of the Center as of the last day of the previous month, and

3 An annual balance sheet and statement of profit and loss, within ninety (90) days following the close of your fiscal year, which statement shall show the financial condition of the business at the end of the fiscal year

All financial information and reports shall be delivered in the manner and in the form specified by us All balance sheets and profit and loss statements shall also be prepared in accordance with generally accepted accounting principles and shall be accompanied by a written certification by you that the same are true and correct. Any intentionally false statements in these or any other reports provided to us shall be grounds for us to terminate this Agreement

XIII. RECORDKEEPING AND ACCOUNTING

A Use of Uniform System of Accounting We shall provide to you various recordkeeping forms, including standardized forms, deemed appropriate by us for use by you You shall utilize these forms, and any other accounting, recordkeeping or computer systems developed or recommended by us, which forms and systems may be amended or supplemented from time to time by us You shall be solely responsible for performing all recordkeeping duties, and the cost for all such services shall be borne solely by you

B Records and Audits You shall maintain and preserve accurate books, records (including corporate minute book), and tax returns, including related supporting material, such as cash register tapes for its Center for at least five (5) years Such books, records, tax returns and supporting material shall be available for inspection, examination, or audit by us or our designees, at any time at our sole discretion. Such examination or audit shall be at our expense unless it is disclosed that any statement of your Gross Sales submitted by you is in error by two percent (2%) or more in your favor, in which case such expense shall be borne by you You shall also immediately pay us any deficiency in royalty fee payments as disclosed by such audit or examination, together with late payment charges at the maximum rate specified by law, or in the absence of a maximum rate specified by law, one and one-half percent (1 1/2%) per month after the amount is more than ten (10) days overdue

C Tax Returns You shall submit to us copies of your annual federal, state, and city, if any, income tax and sales returns within ten (10) days after filing

D Computer System You will at all times maintain at the premises of the Center a working computer with Internet access and a dedicated fax/modem line ("Computer System") We may from time to time specify software to be included on the computer, and may require you to upgrade your computer and software to minimum requirements specified from time to time by us, provided that we may not require you to purchase new computer equipment more than once in any period of thirty-six (36) consecutive months We may develop, or contract for the development of, "Licensed Programs " Licensed Programs are defined as computer software programs which may include, without limitation, customer management, bookkeeping, inventory, training, marketing, employee selection, operations and financial information collection and retrieval systems for use in connection with the operation of a LAVIDA MASSAGE Center including any updates, supplements, modifications or enhancements thereto, all related documentation, the tangible media upon which such program is recorded, and the database file structure thereof, but excluding any data or database owned or compiled by us, or our affiliates, for use with the Licensed Programs or otherwise or any data generated by the use of the Licensed Programs

You agree, when available, to use in the operation of the Center only the Licensed Program and those brands, types, makes and/or models of computer hardware which we may specify or require Such requirements may require expenditure of monies by you, and the purchase or license of items from us at designated prices

You shall install and use the Computer System at the Center, when use of the Computer System is available, and transmit information to us through the Computer System You, at your own expense, shall establish and maintain at the Center, (i) a telephone modem and dedicated line we may use to access the Computer System, (ii) full and complete corporate records and reports, and (iii) if required by us, computer diskettes, databases in the form specified by us pertaining to the operation of the Center, supervisory reports relating to Center operations, and accounting, record keeping and records retention system conforming to the requirements prescribed by us from time to time (including, without limitation, requirements for a general ledger system which includes the standard chart of accounts prescribed by us and for timely entry of information into databases of the Computer System and periodic printouts of reports generated from the Computer System), information relating to employee turnover and such other reports and information as we may prescribe Each transaction of our business shall be processed on the Computer System in the manner prescribed by us We shall have at all times, the right to retrieve information from and data processed on the Computer System, and we shall take such action as may be necessary to provide such access to Franchisor

E Pre-Authorized Access to Franchisee's Computer System You hereby authorize us to access your Computer System to gather all of your records and reporting information regarding your sales You agree to execute any documents or install any software that would allow us to access your system include remote access by us, at your sole expense

XIV TRANSFER OF FRANCHISE

A. Our Right to Transfer We may change our ownership or form or assign this Agreement and any other agreement without restriction. This Agreement and any other agreement will inure to the benefit of any transferee or other legal successor to our interest

B Restrictions on a Transfer by You. You understand and acknowledge that the rights and duties in this Agreement are personal to you and that we have granted you the franchise in reliance upon our perception of your character, skill, aptitude, attitude, business ability and financial capability Therefore, neither this Agreement nor the business operated under this Agreement, may be assigned by you, either voluntarily or by operation of law, except as hereinafter provided, without our prior written consent Such consent shall not be unreasonably withheld, but under no circumstances shall we be obligated to consent to the transfer of the business operated under this Agreement without transfer of this Agreement to the transferee Failure by us to consent to a proposed assignee that does not have appropriate business experience, a good credit history, a net worth adequate for the operation of the business, in our reasonable judgment, or who does not satisfy all of the requirements of Franchisor with respect to applicants for new franchises, including fulfillment of the training requirement, execution, and delivery of the current form of Franchise Agreement then in use by us (providing for the payment of all royalty fees at the then-current rate for new franchisees and the re determination of the Designated Territory, if any, according to our then-current criteria for new franchisees), shall be per se reasonable

1 We have the right to withhold consent to an assignment to a third party, if the purchase price is so excessive as to jeopardize the continued economic viability of the franchised business

2 Any purported assignment of this Franchise or any of your rights or obligations hereunder

without our prior written consent shall be void and any such attempt to assign or transfer the Franchise shall be a breach of this Agreement

3 An assignment under this Agreement includes any voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition including but not limited to the following a) transfer of record or beneficial ownership of capital stock or membership interests, (b) mergers, consolidations or exchange of shares, (c) sale or exchange of voting interests, (d) assignment in divorce, insolvency or any operation of law; (e) if you or an owner dies any transfer of the assets or right to receive profits by will, trust or laws of intestate succession, (0 pledge of this Agreement (other than to us) or ownership interest in an entity holding the franchise as security, (g) foreclosure upon the Center, (h) your loss of possession, control or management of the Center

C <u>Lease Assignments</u> If we consent to the assignment of this Franchise, we shall also consent to the assignment of Franchisee's Lease Agreement with the landlord of the Franchise Location and any and all other agreements between you and us You, in the event of such assignment of the franchise, shall also assign all of its right, title, and interest in and to the Lease Agreement with the landlord of the Franchise Location and all other agreements between us and you to the same assignee Notwithstanding such assignment, you shall be and remain liable under all other assigned agreements to the extent required by other agreements

D <u>Execution of Current Agreements</u> In any approved sale or assignment of this Franchise, the assignees shall complete and sign all appropriate forms and agreements required by us Included in such required agreements shall be our then-current Franchise Agreement which shall apply in all respects, including the then-current royalty fee, the Designated Territory, if any, in accordance with our then-current standards The purchaser or assignee will be required to fulfill all training requirements at the assignee's expense

E <u>Right of First Refusal</u> Prior to the sale of the franchised business, or assignment by you of this Agreement in a transaction requiring our consent, we shall have the option, exercisable within thirty (30) days after receipt of notice by us from you of the proposed sale or assignment, to purchase, or have its nominee purchase the business and this Agreement for the price and on the terms and conditions of the proposed sale We shall have the right to substitute equivalent cash for any non-cash consideration included in the sale Such notice shall specify the name and address of the proposed transferee, shall enclose a completed franchise application from the proposed transferee, and shall set forth the price, terms, conditions, date, and place of closing of the proposed sale Should we not exercise this right and should the contemplated sale not be completed, or should the terms and conditions thereof be altered in anyway, this right of first refusal shall be reinstated and any subsequent proposed sale, or the altered terms and conditions of the current transaction, must again be offered to us in accordance with this Paragraph Should we elect to exercise its right of first refusal, you shall take all action necessary to cause its Lease Agreement with the landlord of the Franchise Location to be assigned to us concurrently with the execution of this Agreement.

F <u>General Release Transfer Fee New Franchise Training</u> As a condition to our consent to any assignment of this Agreement, you shall bring all accounts with us current and shall execute a general release of all claims against us in the form attached hereto as Exhibit 2 You shall also pay to us a non-refundable transfer fee of Seven Thousand Five Hundred Dollars ($7,500) on the following schedule Two Thousand Five Hundred Dollars ($2,500) paid before training of the new franchisee begins and the remaining balance upon transfer of Center

We may require the new franchisee and any person or persons employed by the new franchisee in a managerial or other responsible capacity to attend a training program The cost of transportation, meals and lodging, as a result thereof, will be borne by either you or the new franchisee

G Franchisee's Death or Disability Upon the death or permanent disability of Franchisee or, if Franchisee is a corporation, limited liability company, or partnership, the owner of a controlling interest in Franchisee, the executor, administrator, conservator, guardian or other personal representative of such person shall, within six (6) months of such event

1 Apply to us for the right to continue to operate the franchised business (for the duration of the term of this Agreement), which right shall be granted upon the fulfillment of all of the conditions set forth in Paragraphs XVIIA-E of this Agreement (except that no transfer fee shall be required), or

2 Transfer its interest in this Agreement and its interest in the franchised business to a third party approved by Franchisor Franchisor is limited to operating the business for an initial 90 day period, which may be extended to up to six months at franchisor's reasonable discretion, and franchisor will periodically discuss the status with the franchisee Such disposition of this Agreement and such interest in the franchised business (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed six (6) months from the date of death or permanent disability, and shall be subject to all the terms and conditions applicable to transfers contained in Paragraphs XIV A -F Failure to transfer the rights and obligations of Franchisee in this Agreement and Franchisee's interest in the franchised business within said period of time shall constitute a breach of this Agreement For purposes hereof, the term "permanent disability" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually prevents Franchisee or an owner of a controlling interest in Franchisee from supervising the management and operation of the franchised business for a period of six (6) months from the onset of such disability, impairment or condition

In the event of the death or incapacity of Franchisee, or any partner, member, or shareholder of Franchisee, if Franchisee is a partnership, limited liability company or corporation, where the aforesaid provisions have not been fulfilled within the time provided, all rights licensed to Franchisee under this Agreement shall, at the option of Franchisor, terminate forthwith and automatically revert to Franchisor

If, after the death or permanent disability of Franchisee, or a controlling member or owner of Franchisee, the franchised business operated under this Agreement is not being managed by a competent and trained manager, we are authorized, but not obligated, to appoint a manager to maintain the franchised business operation until an approved assignee shall be able to assume its management and operation, but in no event for a period exceeding six (6) months, without the approval of the personal representative of Franchisee or such owner or member All funds from the franchised business operation during the period of management by our appointed manager shall be kept in a separate fund and all expenses of the franchised business, including compensation, other costs and travel and living expenses of Franchisor's appointed manager, shall be charged to such fund. As compensation for the management services provided, in addition to the fees due hereunder and the compensation, other costs and travel and living expenses which our appointed manager incurs, we shall charge such fund five percent (5%) of the weekly Gross Sales (as defined in Paragraph IV D of this Agreement) during the period of our management

Operation of the franchised business during any such period shall be for and on behalf of Franchisee, provided, that we shall have a duty only to utilize our good faith efforts and shall not be liable to Franchisee or its members or owners for any debts, losses or obligations incurred by the franchised business or to any creditor of Franchisee for any merchandise, materials, supplies or services purchased by the franchised business during any period in which it is managed by our appointed manager

H Financial Statements of Franchisee In connection with any transfer of the Franchise, we shall have the right, but not the obligation, to furnish any proposed assignee with a copy of all financial statements and any other information which has been furnished by you to us in accordance with this Agreement during the three (3) year period prior to the date approval of the proposed assignment, transfer, or sale is sought. We shall also have the right, but not the obligation, to advise any proposed assignee of any uncured breaches or default by you under this Agreement or any agreement relating to the franchised business

I Assignment to Controlled Entity Notwithstanding any other provision of this Agreement, you may transfer your interest in this Agreement to an entity owned and controlled by you, provided (i) you are not in breach of any provision of this Agreement, (ii) you and the new entity execute a transfer agreement in a form proscribed by us at or prior to the date of assignment, and (iii) you simultaneously enter into a personal guaranty of all obligations of the transferee and otherwise agrees to remain bound by the obligations contained in this Agreement. No transfer fee shall be required in connection with such assignment

J Effect of Our Consent to Assignment Our consent to any assignment is not a representation of the fairness of the terms of any contract between you and assignee, a guarantee of the Center's or assignee'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's terms and conditions

XV PROPRIETARY RIGHTS AND CONFIDENTIALITY

Nothing contained in this Agreement shall be construed to require us to divulge to you any secret processes, secret procedures, techniques or formula, except the material contained in our Confidential Manuals and training materials You acknowledge that you knowledge of our formula, know-how, processes, products, techniques, information, and other proprietary data are derived entirely from information disclosed to you by us and that such information is proprietary, confidential, and a trade secret of us You agree to maintain confidentiality of such information and to exercise the highest degree of diligence in safeguarding our trade secrets during and after the term of this Agreement, including items in our Confidential Manuals You shall divulge such material only to your employees and only to the extent necessary to permit the effective operation of your LAVIDA MASSAGE Center It is expressly agreed that the ownership of all the proprietary property is and shall remain vested solely in us If you develop any new formulas, know-how, processes, products, techniques, or information in connection with the operation of a LAVIDA MASSAGE Center, you shall fully disclose this to us and may use the same only as approved by us If we grant such approval, your request for approval shall be considered your consent to permit us to allow others in the LAVIDA MASSAGE system to use the same without obligation for any payment to you

XVI. NON-COMPETITION

A Competitive Ownership During the term of this Agreement and any renewal thereof, you shall not, without our express written consent, directly or indirectly, engage in or participate as an employee, agent, or owner, alone or with any other person, partnership or entity in any other business which is the same as or similar to the franchised business including but not limited to any massage business or salon that offers massage services, nor shall you use, directly or indirectly, our system or concept except in the operation of your LAVIDA MASSAGE franchise If Franchisee is a joint venture or partnership, the restrictions in this paragraph XVI A shall apply to each partner or venturer who, individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in such venture or partnership If Franchisee is a corporation or limited liability company, the restrictions in this paragraph XVI A shall apply to each shareholder or member, who individually or collectively, through himself, his spouse, his children, his grandchildren, or his parents, owns a five percent (5%) or greater interest in the outstanding capital stock of such corporation or limited liability company If any provision of this Paragraph XVI shall be deemed unenforceable by law, then such restrictions shall be reduced to the minimum extent necessary to be legally enforceable
Franchisee shall not, without our express prior written consent, directly or indirectly, for a period of two (2) years from the date of the assignment by Franchisee, expiration or non-renewal of this Agreement, or the termination of this Agreement, regardless of the cause of the termination, engage in or participate as an employee, consultant, agent, or owner, alone or with any other person or entity with any business offering massage services

If you violate any of these provisions, then in addition to any other relief to which we may be entitled, the period of time for which the restriction shall apply shall be extended by a period equal to the period of noncompliance You acknowledge that you have previously worked in or has been gainfully employed in other fields of endeavor and that these provisions will in no way prevent him or her from earning a livelihood Further, you acknowledge that violation of these non-competition covenants will result in immediate and irreparable injury to us for which no adequate remedy at law will be available Therefore, you agree we shall be entitled to injunctive relief to prohibit any conduct by you in violation of the non-competition covenants contained herein

B Appropriation of Franchisor's System You covenant that you shall not appropriate, use, or duplicate our system, or any portion thereof, for use in any other business

XVII RELATIONSHIP OF THE PARTIES

In all matters pertaining to the operation of LAVIDA MASSAGE Center, you are and shall be an independent contractor You shall conspicuously identify yourself at the Franchise Location as an independent franchisee No employee of yours shall be deemed to be an employee of ours Nothing contained herein shall be construed to create a partnership, joint venture, or agency between us and you Neither party hereto shall be liable for the debts or obligations of the other unless expressly assumed in writing

XVIII. DEFAULT BY FRANCHISEE

The occurrences of any of the following events shall constitute a default by Franchisee under this Agreement

A Acts of Immediate Termination If during the period in which this Agreement is in effect, there occurs any of the following events, immediate notice of termination, without an opportunity to cure, shall be deemed reasonable, unless such action is in violation of applicable law

1 Bankruptcy You are adjudicated as bankrupt or insolvent

2 Assignment for Benefit of Creditors You make an assignment for the benefit of creditors or a similar disposition of the assets of the franchised business

3 Criminal Misconduct You are convicted of a felony or other crime which substantially impairs the goodwill associated with our trademark, service mark, trade name or commercial symbol

4 Failure to Comply You repeatedly fail to comply with the provisions of this Agreement or other agreement

5 Failure to Operate You abandon or fail or refuse to actively operate your Center for more than five (5) business days in any twelve (12) month period, unless the Center has been closed for a purpose approved by Franchisor or due to an act of God

6 Understatement of Sales You submit to us on two (2) or more separate occasions at any time during the term of this Agreement, any reports or other data, information or supporting records which understate by more than two percent (2%) the Gross Sales for any period and your are unable to demonstrate that such understatements resulted from inadvertent error

7 Impairment of Goodwill You commit any act which materially impairs the goodwill associated with our trademark, trade name, service name, logotype or other commercial symbol

8 Acts of Impropriety You commit an act of impropriety with a client of LAVIDA MASSAGE

9 Misrepresentation You have made any material misrepresentation or omission in your application for the franchise

10 Training You do not satisfactorily complete the initial training

B Acts Requiring Period to Cure Before Termination If you are in default in the performance of any of the terms of this Agreement (other than those calling for immediate termination), including the acts set forth hereinafter, we, in addition to all remedies that we have available to us at law or in equity, at our option, may immediately terminate this Agreement if you do not cure all defaults to our satisfaction within thirty (30) days after receiving notice of the default(s) from us (unless another time frame is stated herein)

1 Other Agreements Default under any agreement between you and us, or under the Lease Agreement with the Landlord of the Franchise Location

2 Transfers Without Prior Consent Any purported assignment, transfer, or sublicense of this Agreement, or any right hereunder, without our prior written consent or if you sell, lease, sublease or transfer any interest in its Center, or in your Center lease, without our prior written consent

3 Franchise Location Loss Your right to occupy the Center is lost and you do not obtain another Franchise Location approved by us within the Designated Territory within ninety (90) days after the closing of your Center

4 Failure to Pay Other Obligations You fail to make timely payments upon any of your obligations or default upon or a breach of any provision of any promissory note or other evidence of indebtedness or any agreement relating thereto

5 Failure to Comply You fail to comply with all of the terms of this Agreement or any other agreement between us and you

6 Failure to Open Subject to fire, flood, earthquake, or other similar causes beyond your control, you fail to open its Center within eight (8) months after execution of the Franchise Agreement or any scheduled opening date set by us after completion of the premises

7 Failure to Submit Reports You fail to submit reports or financial data which we require under this Agreement

8 Bankruptcy A petition in bankruptcy is filed by or against your, or a receiver is appointed, or a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for the Franchisee's business or assets is filed, or a receiver or other custodian is appointed, or if proceedings for composition with creditors under any state or federal law is instituted by or against you

9 Attachment. The real or personal property of Franchisee shall be attached or levied upon by any sheriff, marshal, or constable

10 Failure to Decorate and Equip You fail to decorate and equip your Center as provided in this Agreement

11 Failure to Obtain Insurance You fail to obtain or maintain insurance as required by this Agreement

12 Training, Supervision. You fail to have the appropriate training or fail to have a manager with the appropriate training as specified in Section VI D of this Agreement that is in supervision of the Center

C Failure to Pay Sums Due to Franchisor or Its Affiliates If you fail, refuse, or neglect to pay us or our affiliates any monies owing to us on the date due, we, at our option, may immediately terminate this Agreement if we provide notice to your of nonpayment and you do not bring all payments current within ten (10) days after receipt of such notice

D Failure to Comply with Franchisor's Standards and Specifications If you fail to comply with any Standard and Specification that has been specified by us to you, we will give you thirty (30) days after receiving notice of non-compliance to come into compliance with the our Standards and Specifications If you fail to come into compliance within thirty (30) days after notice is given, we have the unrestricted right to charge you a non-compliance late fee of $500 00 and to give you new notice of non-compliance If the you continue to be in non-compliance after (30) days and have not cured the non-compliance notice, we in addition to all remedies that we have available to us at law or in equity, at our option, may immediately terminate this Agreement

E Termination Not Exclusive Remedy Termination of this Agreement by us as a result of a default by you shall not be the exclusive remedy available to us, and you shall remain liable to us for all damages caused to us as a result of the default, including our lost benefit of the bargain of this Agreement should this Agreement be terminated following a default by you.

XIX. DEFAULT BY FRANCHISOR

If we fail to materially comply with our material obligations under this Agreement, and fail to cure such failure within ninety (90) days after receipt of notice from Franchisee, clearly identified as a "Notice of Default," and clearly specifying the provision of this Agreement that has been defaulted and the manner in which default has occurred, then you may terminate this Agreement effective upon providing us ten (10) additional days notice of its intent to terminate

XX. ACTIONS FOLLOWING TERMINATION ASSIGNMENT OR EXPIRATION

In the event of termination of this Agreement for any reason or by either party, you forfeit all fees paid and will no longer use our trademarks, service marks, trade names, or any other property connected with the franchise In addition, in the event of termination, expiration or assignment of this Agreement

A. Use of Franchisor Property You must immediately cease use of all trade names, service marks and trademarks, including any parts thereof that are used by Franchisee in any manner or in any medium You must also immediately cease use of all processes, formulas, training manuals, Confidential Manuals, and other proprietary property of ours You shall immediately return all manuals, Confidential Manuals, training films, videos, training materials, and other property of ours and shall not operate or do business under any name or in any manner that might tend to give the general public the impression that you are selling, or servicing any of the products or services developed by us, or that you are operating a Center similar to the LAVIDA MASSAGE Center established under this Agreement

B Telephone and Directory Listings You shall, at the election of us, either change all telephone numbers and other public information and directory listings which designate the Center as a LAVIDA MASSAGE Center, or, at our option, shall execute all documents necessary to transfer to us or our nominee, the right to use and control all telephone numbers for the Center If you fail or refuse to immediately execute such documents, we are hereby irrevocably appointed as your attorney-in-fact to do so

C Websites Domain Names and Assumed Names You shall expeditiously take such action as may be required to properly cancel all domain names and any assumed name or equivalent registrations relating to the use of our Names, or any part thereof, and notify any Internet service provider, domain name registrar and all listing agencies of the termination or expiration of your right to use the domain name, assumed name, and other directory listings associated with our Names and to authorize the Internet service provider, any domain name registrar, and all listing agencies to transfer to us all such domain names and listings If you fail or refuse to immediately complete such action, we are hereby irrevocably appointed as your attorney-in-fact to do so

D Redecorating You, at our request, immediately redecorate the Center to prevent the public from believing the Center remains in our system

E. Franchisor Right to Purchase We have the option to purchase the leasehold improvements, equipment and tangible assets of the Center at a price equal to the depreciated cost thereof, based on a straight line, sixty (60) month amortization period

F Confidential Manuals and Other Proprietary Material Customer Lists You shall cease and forever abstain from using any proprietary information contained in the Confidential Manuals, and return to us all copies of the Confidential Manuals and all other documents, instructions, display items, advertising material, training tools, and other tangible property connected with the franchise, and remove all signs and other items tending to identify the Center as being connected with us or the LAVIDA MASSAGE system You shall also immediately provide to us any and all lists of customers of your LAVIDA MASSAGE Center

G Other Obligations We may retain all fees paid pursuant to this Agreement In addition, all of our obligations to you and all of your rights under this Agreement shall automatically terminate, however, any of your obligations to take, or abstain from taking, any action upon termination pursuant to this Agreement, shall not be affected by such termination, including the payment to us of all sums due from you at the time of termination

XXI ENFORCEMENT

A. Injunctive Relief We shall be entitled without bond to the entry of temporary restraining orders and temporary and permanent injunctions enforcing the aforementioned provisions If a court determines a bond is necessary, you agree that the bond shall be limited to not more than Ten Thousand Dollars ($10,000) If we are successful in obtaining an injunction or any other relief against you, you shall pay us an amount equal to the aggregate of our costs of commencing and prosecuting the action, including, without limitation, reasonable attorneys' fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses Our right to obtain injunctive or other equitable relief shall be in addition to any other rights we may have under this Agreement and shall in no way limit or prohibit us from obtaining money damages from you

B Compulsory Mediation Except with respect to matters for which we believe it necessary to seek equitable relief, or to collect royalties or other amounts owing to us, You shall be required to enter into mediation with us for of all disputes involving this Agreement or any aspect of the relationship between them for a minimum of four (4) hours prior to the initiation of any legal action or proceeding against the other party or any agent or affiliate of the other party Upon written notice by either party to the other of the initiating party's desire to mediate, the party receiving the notice shall select either the American Arbitration Association or Center for Public Responsibility (or their successors) to coordinate the mediation, and shall notify the other party of its election If the party receiving the notice of intent to mediate does not select one of these organizations within ten (10) business days from the date the notice of intention to mediate is received, then the other party, at its option, may (i) forego mediation of the issue(s) and commence litigation, or, at its option, (ii) select one of these organizations to provide mediation services The mediation shall be held within sixty (60) days following receipt by the mediation organization of notification that its services shall be retained If the parties cannot agree on a date for mediation, then the mediation organization shall select a date it believes is reasonable for the parties, given all of the alleged conflicts in dates Both you and we shall have fifteen (15) days from the date the organization is designated to select a person working with that organization to serve as mediator If the parties are unable to agree on the mediator, then the organization shall select the mediator, but the organization must select a person who has had at least ten (10) years of experience as either franchisee or franchisor (or as an officer of such an entity) or in franchise law The mediation shall be held as soon as practicable following selection of the mediator The parties shall equally share the cost of the mediator Unless both parties agree otherwise, the mediation will be held in Commerce, Michigan If you fail or refuse to abide by the provisions of this subparagraph and to engage in mediation as required herein, and litigation ensues between the parties, you shall be liable for all attorneys' fees incurred by us in such proceeding, regardless of the outcome of the proceeding, and shall reimburse us on demand for such costs

C WAIVER OF JURY TRIAL TO THE EXTENT EITHER PARTY IS PERMITTED TO ENFORCE THIS AGREEMENT BY JUDICIAL PROCESS AND ELECTS TO DO SO, EACH OF THE PARTIES WAIVES ITS RIGHT TO A TRIAL BY JURY THIS WAIVER SHALL APPLY TO ALL CAUSES OF ACTION THAT ARE OR MIGHT BE INCLUDED IN SUCH ACTION INCLUDING, BUT NOT LIMITED TO, CLAIMS RELATED WITH RESPECT TO THE ENFORCEMENT OR INTERPRETATION OF THIS AGREEMENT, ALLEGATIONS OF STATE OR FEDERAL STATUTORY VIOLATIONS, FRAUD, MISREPRESENTATION, OR SIMILAR CAUSES OF ACTION, AND IN CONNECTION WITH ANY LEGAL ACTION INITIATED FOR THE RECOVERY OF DAMAGES BETWEEN FRANCHISOR AND FRANCHISEE (INCLUDING ANY OWNERS OR GUARANTORS, IF APPLICABLE, AND INCLUDING ACTIONS INVOLVING AFFILIATES, OFFICERS, EMPLOYEES OR AGENTS OF FRANCHISOR OR FRANCHISEE) FOR BREACH OF THE FRANCHISE AGREEMENT

D Waiver of Punitive Damages/Lost Profits Franchisor and Franchisee (and the respective owners and guarantors, if applicable) agree to waive, to the fullest extent permitted by law, the right to or claim for any punitive or exemplary damages, or lost profits, against the other and against any affiliates, owners, employees, or agents of the other, and agree that in the event of a dispute between or among any of them, each shall be limited to the recovery of actual damages sustained by it and any equitable relief to which it may be entitled

E. Exclusive Venue Franchisor and Franchisee (and the respective owners, officers, affiliates and agents, if applicable) each agree to submit to the exclusive jurisdiction of the state and federal courts of Michigan with respect to any litigation pertaining to this Agreement or to any aspect of the business relationship between the parties, even if additional persons are named as parties to such litigation (unless the courts of Michigan would have no jurisdiction over such additional persons) No action or proceeding involving this Agreement or any aspect of the relationship between the parties or their agents or affiliates shall be commenced by any party except in Livingston County, Michigan, nor shall any such action be transferred to any other venue Notwithstanding the foregoing, if we are permitted to seek injunctive relief under this Agreement, we may, at our option, bring such action in the county in which any of the Centers is located

F Waiver of Collateral Estoppel The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between Franchisor and Franchisee Franchisor and Franchisee therefore each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the person that was a party to such action from making similar arguments, or taking similar positions, in any action between Franchisor and Franchisee The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in an action between them as a result of such party having lost a similar claim or defense in another action

XXII NOTICES

A Mailing Notices All notices, requests, demands, payments, consents, and other communications hereunder shall be transmitted in writing and shall be deemed to have been duly given when delivered by hand or three (3) days after sent by registered or certified United States mail, postage prepaid, addressed as follows

FRANCHISOR	LAVIDA MASSAGE 8550 W Grand River Ave, Suite 100 Brighton MI 48116
FRANCHISEE	________________________ ________________________ ________________________

Either party may change its address by giving notice of such change of address to the other party

B Notice by Delivery or Fax In the case of any notice required to be given by Franchisor to Franchisee, hand delivery or fax with delivery verified shall be sufficient notice hereunder Such notice shall have been deemed to have been given when actually received by Franchisee

XXIII MISCELLANEOUS

A. Additional Actions The parties agree to execute such other documents and perform such further acts as may be necessary or desirable to carry out the purposes of this Agreement

B Reasonable Efforts You acknowledge that whenever we are required to perform any services for you, or provide any services to you, we are not required to perform those services to your level of satisfaction, but as a function of our experience, knowledge and judgment, taking into account the needs of other franchisees in the LAVIDA MASSAGE system

C Heirs Successors and Assigns This Agreement shall be binding and inure to the benefit of the parties, their heirs, successors, and assigns

D Entire Agreement FRANCHISEE ACKNOWLEDGES THAT IT HAS READ THIS AGREEMENT IN FULL, IS COGNIZANT OF EACH AND EVERY ONE OF THE TERMS AND PROVISIONS THEREOF AND AGREEABLE THERETO, THAT NO REPRESENTATIONS OR AGREEMENTS, WHETHER ORAL OR WRITTEN, EXCEPT AS SET FORTH, HAVE BEEN MADE OR RELIED UPON, THAT THE SIGNATURES AFFIXED HERETO WERE AFFIXED AS THE WHOLLY VOLUNTARY ACT OF THE PERSONS WHO SIGNED THIS AGREEMENT, THAT THE TERMS AND PROVISIONS OF THIS FRANCHISE AGREEMENT ARE THE ONLY AGREEMENTS BETWEEN THE PARTIES AND CANNOT BE CHANGED OR MODIFIED UNLESS IN WRITING SIGNED BY THE AUTHORIZED REPRESENTATIVE OF FRANCHISOR AND AN AUTHORIZED AGENT OF FRANCHISEE, AND THAT THERE CAN BE NO GUARANTY OF SUCCESS SINCE FRANCHISEE'S BUSINESS ABILITY, APTITUDE, AND INDUSTRIOUS DISPOSITION IS PRIMARY IN FRANCHISEE'S SUCCESS OR FAILURE NOTHING IN THIS AGRREMENT OR ANY RELATED AGREEMENT IS INTENDED TO

DISCLAIM THE REPRESENTATIONS FRANCHIOR HAS MADE IN THE FRANCHISE DISCLOSURE DOCUMENT

E Waiver of Rights Failure by either party to enforce any rights under this Agreement shall not be construed as waiver of such rights Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance Any acceptance of money or other performance by Franchisor from Franchisee shall not constitute a waiver of any default except as to the payment of the particular payment or performance so received Notwithstanding the foregoing, if either party defaults or fails to abide by any of its obligations under this Agreement, the other party must give notice of such failure within one (1) year after such failure occurs, or the aggrieved party shall be deemed to have waived the breach, unless the breach relates to the underreporting or failure to report Gross Sales by Franchisee or failure to pay any amounts owing to Franchisor by Franchisee To the extent similar obligations are required to be performed in the future, a waiver of a past performance shall not preclude the party from insisting on full performance of such obligation in the future

F Approval Whenever our approval or consent is required under this Agreement, such approval or consent shall not be valid unless given in writing and signed by an officer of Franchisor, irrespective of whether the provision in question refers to written approval or consent You acknowledge that in light of this provision, it would be unreasonable for it to rely upon any oral approval or consent, and that any consent or approval purportedly given other than in writing, shall not be binding upon us

G Validity of Parts Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion, and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect

H Headings and Table of Contents The headings and table of contents used herein are for purposes of convenience only and shall not be used in construction of the provisions hereof As used herein, the male gender shall include the female and neuter genders, the singular shall include the plural, and the plural, the singular

I Execution by Franchisor This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor

J Assignment by Franchisor This Agreement may be assigned in whole or in part by Franchisor without prior approval of Franchisee, and such assignment shall not modify or diminish Franchisee's obligations hereunder

K Third Parties The parties intend to confer no benefit or right on any person or entity not a party to this Agreement, and no third party shall have the right to claim the benefit of any provision hereof as a third-party beneficiary of any such provision

L Attorneys' Fees If we are required to engage legal counsel in connection with your failure to pay when due amounts owing to us, to submit when due any reports, information or supporting records or otherwise comply with this Agreement, you shall reimburse us for any of the above-mentioned costs and expenses which it incurs, whether or not litigation ensues In addition, if you initiate any legal action (including actions for equitable relief) against us, and we prevail, you shall be liable to us for reimbursements of all attorneys' fees, expert fees, court costs, and other expenses incurred by us in such litigation or arbitration

If Franchisor becomes a party to any litigation or arbitration proceeding concerning this Agreement by reason of any act or omission of you or your authorized representatives and not by any act or omission of us or any act or omission of its authorized representatives, or if we become a party to any litigation or any insolvency proceedings pursuant to the bankruptcy code or any adversary proceeding in conjunction with an insolvency proceeding, you shall be liable to us for reasonable attorneys fees, experts fees and court costs incurred by us in such arbitration, litigation or proceeding regardless of whether such arbitration, litigation or proceeding or action proceeds to judgment In addition, we shall be entitled to add all costs of collection, late payment charges, attorneys' fees and experts' fees to its proof of claim in any solvency proceedings filed by you

M Business Form If Franchisee is an individual, Franchisee shall be permitted to organize as a corporation or limited liability company and to transfer the business and franchise to a corporation or limited liability company wholly owned by Franchisee, provided that such entity executes all then-existing Franchise Agreements Franchisee shall be required to execute a personal guarantee and covenant to ensure the compliance of any such corporation with the terms and obligations of the Franchise Agreement

N Governing Law This Agreement shall be governed by and construed in accordance with the internal laws of the State of Michigan, however, if this Agreement concerns Center located in a state other than Michigan and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof Franchisor and Franchisee also agree that if Franchisee is not a Michigan resident and if Franchisee's Center is not physically located in Michigan, then the provisions of the Michigan Franchise Law and the Michigan Fair Dealership Law shall not apply to this transaction or this Agreement

Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition or unenforceability without invalidating the remaining provisions of this Agreement Any prohibition against or unenforceability of any provision of this Agreement in any jurisdiction, including the state whose law governs this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction. To the extent permitted by applicable law, you waive any provision of law which renders any provision of this Agreement prohibited or unenforceable in any respect

O Other Business Interests You acknowledge that we and our affiliates have our own business interests that are not intended to be restricted by this Agreement. Except as expressly provided in this Agreement, we and our affiliates may pursue our own business interests without obligation to, and irrespective of, the impact of their actions upon you or your LAVIDA MASSAGE Center These actions include, but not by way of limitation, ownership, operation or disposition of its own Centers or other businesses, and the sale of products through other methods of distribution

P Patriot Act You represents and warrants to us that (i) neither Franchisee (including its directors and officers, if applicable) nor any of its affiliates, or to the best knowledge of Franchisee after due inquiry, any funding source for this Franchise, is identified on the list of the United States Treasury's Office of Foreign Assets Control (OFAC), (ii) neither Franchisee nor any of its affiliates is directly or indirectly owned by the government of any country that is subject to an embargo imposed by the United States government, and (iii) neither Franchisee nor any of its affiliates is acting on behalf of the government of, or is involved in business arrangements or other transactions with, any country that is subject to such an embargo

Q Debarred List Franchisee represents, warrants and covenants to Franchisor that Franchisee (i) is not on the U S Department of Commerce Denied Persons, Entities and Unverified List, the U S Department of State's Debarred List, or on the U S Department of Treasury's lists of Specialty Designated Nationals, Specialty Designated Narcotics Traffickers or Specialty Designated Terrorists, as such lists may be amended from time to time (collectively, the Lists), (ii) during the term of this Agreement, will not be on any of the Lists, and (iii) during the term of this Agreement, will not sell products, goods or services to, or otherwise enter into a business arrangement with, any person or entity on any of the Lists

R. Notification You shall notify us in writing immediately upon the occurrence of any act or event that would render any of the representations, warranties or covenants set forth in Sections XXIII(Q) or (R) above incorrect

XXIV NO PROJECTIONS OR REPRESENTATIONS

You acknowledge and represent that you have not received from us any projections or representations regarding the amount of income it can expect to earn from the franchise granted hereby You acknowledge that no representations or warranties inconsistent with the Offering Circular or this Agreement were made to induce you to execute this Agreement

You acknowledge that neither any person nor us can guarantee the success of your business

You are entering into this Agreement after having made an independent investigation of our operations You understand that the business venture contemplated by you under this Agreement involves a high degree of financial risk and depends to a large extent upon your abilities

The undersigned Franchisee, by signing this Franchise Agreement, acknowledges that he or she has read same and that he or she has been requested to state in writing hereafter any terms, claims, covenants, promises, or representations including representations as to any income or gross revenue projections that were made to him or her by Franchisor or his or her representatives including the persons making same, the location, and date If no such representations, etc , were made, the undersigned should write the word "none" on the following lines

[THE REMAINDER OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written

LaVida Massage Franchise Development, Inc

____

By Peggy Davis, President

WITNESS	FRANCHISEE
________________________	________________________ (Signature and Typed Name)
________________________	________________________ (Signature and Typed Name)
________________________	________________________ (Signature and Typed Name)

All individuals, partners, and shareholders of the entity which signs this Agreement as Franchisee acknowledge and accept the duties and obligations imposed upon each and every one of them, individually, by the terms contained in Paragraph XV in of this Agreement requiring that all trade secrets and other confidential information of Franchisor provided to Franchisee be maintained in confidence, and Paragraph XVI of this Agreement prohibiting the undersigned from competing with any LAVIDA MASSAGE Centers as more particularly set forth in such paragraph

GUARANTY

IN CONSIDERATION of Franchisor's acceptance of the Franchise Agreement to which this Guaranty is attached (the Franchise Agreement), and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned hereby jointly and severally guarantee to Franchisor and to Franchisor's affiliates, successors and assigns the payment by Franchisee named in the Franchise Agreement, its successors and assigns (the Franchisee), of all fees required to be paid to Franchisor or its affiliates, whether provided for in the Franchise Agreement or under any other agreement between Franchisor and the Franchisee, and the performance by the Franchisee of all of the provisions of all such Agreements for and during the term of the Franchise Agreement and all renewals thereof The undersigned further specifically agree to be individually bound by all covenants, obligations, and commitments of the Franchisee contained in the Franchise Agreement to the same extent as if each of the undersigned had individually been named as the Franchisee in the Franchise Agreement and had individually executed the Franchise Agreement

The undersigned understand and agree that any modification of the Franchise Agreement, including any addendum or addenda thereto, or waiver by Franchisor of the performance by the Franchisee of its obligations hereunder, or the giving by Franchisor of any extension of time for the performance of any of the obligations of the Franchisee hereunder, or any other forbearance on the part of Franchisor or any failure by Franchisor to enforce any of its rights under the Franchise Agreement, including any addendum or addenda thereto, shall not in any way release the undersigned from liability hereunder or terminate, affect, or diminish the validity of this Guaranty, except to the same extent, but only to such extent that the liability or obligation of the Franchisee is so released, terminated, affected, or diminished Notice to the undersigned of any such modification, waiver, extension, or forbearance under the terms thereof is waived This Guaranty shall be enforceable with respect to a default of the Franchisee upon ten (10) days* written notice by Franchisor to any of the undersigned of any default by the Franchisee of any of its covenants under the terms of the Franchise Agreement and addendum or addenda thereto, or any other agreement between the Franchisee and Franchisor

The undersigned hereby waive any and all notice of default on the part of the Franchisee, waive exhausting of recourse against the Franchisee, and consent to any assignment of the Franchise Agreement, in whole or in part, that Franchisor or its assignees may make

Signature ______________________________
Printed Name ___________________________
Dated _________________________________

Signature ______________________________
Printed Name ___________________________
Dated _________________________________

Signature ______________________________
Printed Name ___________________________
Dated _________________________________

Signature ______________________________
Printed Name ___________________________
Dated _________________________________

EXHIBIT 1
TO
LAVIDA MASSAGE FRANCHISE AGREEMENT

This Exhibit refers to the Franchise Agreement dated _____________, 200___ (the Agreement), by and between LAVIDA MASSAGE, a Michigan corporation (Franchisor) and _______________________________ (Franchisee), and is made a part thereof, Pursuant to Paragraph I A of the Agreement, Franchisee has selected and Franchisor has approved a designated site for a LAVIDA MASSAGE Center to be operated by Franchisee

The site is at ____

Franchisee acknowledges that it has conducted its own independent investigation of this site and the surrounding area and has selected the site as the location for its LAVIDA MASSAGE Center Franchisee further acknowledges that in approving the site, Franchisor is making no representations or guarantees whatsoever as to the viability of the site

This Exhibit has been entered into and agreed to as of the ____ day of _______________, 200___

FRANCHISOR LAVIDA MASSAGE	FRANCHISEE
By ______________________________	________________________________
Its ______________________________	(Printed Name)
	________________________________ (Signature)
	________________________________ (Printed Name)
	________________________________ (Signature)

EXHIBIT 2
TO
LAVIDA MASSAGE FRANCHISE AGREEMENT
GENERAL RELEASE

In consideration for the consent of LaVida Massage Franchise Development, Inc (Franchisor), to the assignment by ________________________________ (Franchisee) of its interest in that certain Franchise Agreement dated __________________, 200___ between Franchisor and Franchisee, Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors, employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale thereof, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released

This Release has been entered into and agreed to as of the ___ day of ________________, 200___

FRANCHISEE

____
(Printed Name)

____
(Signature)

____
(Printed Name)

____
(Signature)

EXHIBIT 3
TO
LAVIDA MASSAGE FRANCHISE AGREEMENT
FRANCHISE ASSIGNMENT, SALE AND TRANSFER

A. Assignment and Sale

Pursuant to Section XVII H of the Franchise Agreement dated _______________, 200___ by and between the undersigned and LAVIDA MASSAGE (the Agreement), I/we hereby transfer, subject to approval by the Franchisor, all my/our rights in the Agreement

Name of Transferee ______________________________

Address ______________________________

City, State, Zip Code ______________________________

Signature of Franchisee(s) ______________________________

____

Signature of (Transferor(s) ______________________________

____

Date ______________________________

B Acceptance of Transfer

The undersigned hereby accepts transfer of the Agreement and agrees to be bound by all the provisions of the Agreement and to assume all of the obligations required of the Franchisee named therein

Name of Transferee ______________________________

By ______________________________
Its ______________________________

Date ______________________________

C Approval of Transfer

It is hereby agreed that the Transferee named above is approved to become a Franchisee under the Agreement, but that such acceptance does not release the Transferor(s) of its obligations under the Agreement

LAVIDA MASSAGE

By ______________________________
Its ______________________________

Date ______________________________

EXHIBIT 4
TO
LAVIDA MASSAGE FRANCHISE AGREEMENT
EXECUTIVE 3 PACK OPTION AGREEMENT

LAVIDA MASSAGE
THREE PACK OPTION AGREEMENT

THIS THREE PACK OPTION AGREEMENT (the "Agreement) is made at ___________________, of the ____ day of _________________,200___, by and between LaVida Massage Franchise Development, Inc a Michigan Corporation (hereinafter called "Franchisor" "We" "Us" "Our") located at 8550 W Grand River Ave, Suite 100, Brighton, MI 48116 and ___________________________________ located at ____(Hereinafter called "Franchisee" "You" "Your")

BACKGROUND

A. We are engaged in the business of franchising a unique and comprehensive of system massage therapy, health and wellness, and bodywork services as well as other related services and products ("Franchised Business")

B We and our affiliates have expended significant time, skill, effort and money to develop certain skills, concepts, business techniques, marketing systems, and a specialized method and process with uniform standards, specifications, methods, policies, procedures, systems, and information, all of which may be enhanced, improved and further developed by us periodically, for operating the Franchised Business ("Franchise System")

C We offer franchisees the right to own a LaVida Massage Center ("Center") offering products and services we authorize and using our Franchise System

D Contemporaneous with the execution of this Agreement, you and LAVIDA MASSAGE have entered into Single Center Franchise Agreement (the "First Franchise Agreement") for the right to establish and operate a single LAVIDA MASSAGE Center (the "First Center")

E LAVIDA MASSAGE offers qualified franchisees the right and option to open two additional Centers as set forth in this Agreement,

F You wish to purchase a three pack option to establish and operate 2 additional Centers under the terms and conditions set forth in this Agreement

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows

1 Grant of Option. In consideration of your payment to LAVIDA MASSAGE a three pack option fee of S83 000, ("Option Fee") which is due and payable upon your execution of this Agreement, LAVIDA MASSAGE grants you the right and option to establish two additional Centers under the term of this Agreement. This Option Fee is deemed fully earned and non-refundable

2 Eligibility You must purchase this option when you execute the first Franchise Agreement

3 Territory You will be given the option to open two additional Centers in the Territory described on the attached Exhibit A ("Territory") Franchisor agrees not to establish any Centers

or grant the nght to another franchısee ın the Terrıtory untıl eıther your optıon penod expıres as defined hereın or you exercıse you optıon, ın which case, the Terrıtory wıll then be governed by the sıngle center agreement entered ınto between you and the Franchısor

4 Optıon Penod You may not execute a lease for any addıtıonal centers pnor to exercısıng your optıon pursuant to paragraph 4 below Your optıon to establısh the second addıtıonal Center wıll expıre one year from the date of openıng of your first Center If you exercıse your optıon to open the second Center wıthın the optıon penod, you wıll be gıven another optıon to open a thırd Center wıthın sıx months of the openıng of your second Center If you do not exercıse your optıon wıthın the noted tıme frame, your optıon expıres and you no longer have an optıon to open the addıtıonal centers

5 Exercıse of Optıon In order to exercıse your optıon for each addıtıonal Center you must satısfy all of the followıng condıtıons, upon the exercıse of each optıon

5 1 Execute our then current Franchıse Agreement for each addıtıonal Center opened,

5 2 Follow all of our standards and procedures wıth respect to openıng and operatıng the Center,

5 3 You are not ın default under thıs Agreement or any other agreement wıth Franchısor and or our affilıates and have fully and faıthfully performed all of your materıal oblıgatıons under such agreements,

5 4 Neıther thıs Agreement, the Fırst Franchıse Agreement or any other agreement between you and us or our affilıates has been termınated,

5 5 You have tımely paıd any and all fees and other monıes due to Franchısor and our affilıates as and when they become due under the terms of the Fırst Franchıse Agreement or any other agreement wıth Franchısor or our affilıates,

5 6 Your optıon ıs applıed to a new Center only and may not be applıed to an exıstıng Center

6 Sale or Assıgnment Your nghts under thıs Agreement are personal and you may not sell, transfer, or assıgn any nght granted hereın wıthout pnor wrıtten approval of the Franchısor

7 Tıme of the Essence Tıme ıs of the essence wıth respect to any tıme fixed for performance of any requırement set forth ın thıs Agreement

8 Acknowledgement You acknowledge that thıs Agreement ıs not a franchıse agreement and does not confer upon you any nghts to use the LAVIDA MASSAGE propnetary Marks or ıts System

9 Notıces All notıces, requests, demands, payments, consents, and other communıcatıons hereunder shall be transmıtted ın wrıtıng and shall be deemed to have been duly gıven three (3) days after beıng sent by regıstered or certıfied Unıted States maıl, postage prepaıd, addressed as follows

Franchisor	LaVida Massage 8550 W Grand River Ave, Suite 100 Brighton , MI 48116
Franchisee	__________________________ __________________________ __________________________

Any change of address of either party must be given in writing to the other party

10 Termination/Expiration This Agreement expires on the date that the option is either exercised by Franchisee or terminated as set forth in section 4 hereof

11 Injunctive Relief Nothing contained in this Agreement herein shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect LAVIDA MASSAGE'S interest prior to filing any arbitration proceeding

12 Entire Agreement This Agreement represents the entire understanding between the parties and supersedes all other negotiations, agreements, representations, and covenants, oral or written, except any other agreement executed by Franchisor and Franchisee, or any other agreement between Franchisor and Franchisee This Agreement may only be modified in writing The parties intend this Agreement to be the entire integration of all of their agreements of any nature No other agreements, representations, promises, commitments, or the like, of any nature, exist between the parties, except as set forth or otherwise referenced herein

13 Waiver Failure by any party to enforce any rights under this Agreement shall not be construed as a waiver of such rights Any waiver, including waiver of default, in any one instance shall not constitute a continuing waiver or a waiver in any other instance

14 Validity Any invalidity of any portion of this Agreement shall not affect the validity of the remaining portion and unless substantial performance of this Agreement is frustrated by any such invalidity, this Agreement shall continue in effect

15 Headings and Table of Contents The headings used herein are for purposes of convenience only and shall not be used in construing the provisions hereof

16 Execution by Franchisor This Agreement shall not be binding on Franchisor unless and until it shall have been accepted and signed by an authorized officer of Franchisor

17 Attorney's Fees If Franchisor becomes a party to any litigation concerning this Agreement by reason of any act or omission of Franchisee or their authorized representatives and not by any act or omission of Franchisor or any act or omissions of its authorized representatives, Franchisee shall be liable to Franchisor for reasonable attorney's fees and court costs incurred by Franchisor in the litigation If any party commences an action against any other party arising out of or in connection

with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorney's fees and costs of suit

18 Governing Law This Agreement shall be governed by and construed in accordance with the internal laws of the state of Michigan, however, if this Agreement concerns a Franchise Location in a state other than such state and the laws of that state require terms other than those or in addition to those contained herein, then this Agreement shall be deemed modified so as to comply with the appropriate laws of such state, but only to the extent necessary to prevent the invalidity of this Agreement or any provision hereof, the imposition of fines or penalties, or the creation of civil or criminal liability on account thereof Any provision of this Agreement which may be determined by competent authority to be prohibited or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of the prohibition of unenforceability without invalidating the remaining provisions of this Agreement Any prohibition against or unenforceability of any provisions of this Agreement in any jurisdiction, including the state whose laws govern this Agreement, shall not invalidate the provision or render it unenforceable in any other jurisdiction To the extent permitted by applicable law, Franchisee and Landlord waive any provision of law, which renders any provision of this Agreement prohibited or unenforceable in any respect

IN WITNESS WHEREOF, the parties have executed this Agreement at _______________, on the date first above written

LAVIDA MASSAGE FRANCHISE DEVELOPMENT, INC	FRANCHISEE
By ______________________	______________________ (Signature)
Its ______________________	
	______________________ (Printed Name
	______________________ (Signature)
	______________________ (Printed Name)

EXHIBIT 5
TO
LAVIDA MASSAGE FRANCHISE AGREEMENT
STATE RIDER

EXHIBIT F List of Current Unit and Master Franchisees as of 12/31/16

FRANCHISEE	ADDRESS	PHONE
	SINGLE UNIT	
	Arizona	
Eric Morga	3020 S Gilbert Rd Suite #4 Chandler AZ 85286	480 629 4985
	Arkansas	
Gwen & Marcus Heim	745 E Joyce Blvd Fayetteville, AR 72703	479 521 3232
Gwen Heim	103 SW Winsted Lane Suite 15, Bentonville, AR	479 521 3232
	California	
Marcee Trammel & Marcus Tolbert	799 E El Camino Real Sunnyvale CA 94087	408 830 9000
	Colorado	
Geoffrey Stalder	2733 Council Tree Ave , Suite 119 Fort Collins CO 80525	970 223 2512
Monique Walkes	1865 S Nevada Ave Colorado Springs CO 80905	719 323 6624
	Florida	
Glenn & Jill Harrod	15706 N Dale Mabry Hwy Suite 203 Tampa FL 33618	813 264 4772
Christien Acosta Leon & Joaquin Esquivia	1301 S W 112th St Miami, FL 33186	786 502 4969
	Georgia	
Muriel Creagan	1635 Old 41 Hwy Suite 201 Kennesaw, GA 30152	678 354 1161
Duane Goodwin & Terry Sharp	4880 Lower Roswell Rd, Suite 70 Marietta GA 30068	770 973 6385
Vivianne Souza	5944 Roswell Rd , Sandy Springs GA 30328	404 236 7291
Duane Goodwin & Terry Sharp	4880 Lower Roswell Rd Suite 70 Marietta GA 30068	770 740 0654
Duane & Julie Goodwin	10945 State Bridge Rd, John's Creek GA 30022	678 624 9091
Andy Wolf	5485 Bethelview Rd , Suite 220 Cumming, GA 30040	678 947 4642
Mike Spidel & Muriel Creagan	123 West main Street Cartersville, GA 30120	770-954-8822
Mike Spidel	6175 Hickory Flat Hwy Suite 180 Canton GA 30115	770 345 1200
Brad & Angela Hodsden	8876 Dallas Acworth Hwy Suite 124	678 247 8383
	Illinois	
Willie Robinson	5009 Route 83 Crestwood, Il 60445	708 385 1919
Angela Hoy-Mabry	3067 Wolf Rd Westchester IL 60154	773 732 3979
Robert Trent	6300 Kingery Highway S Suite 208, Willowbrook IL 60527	630 908 7861
	Maryland	
Jenn Feeney	5500 Buckeystown Pike Suite 154 Frederick, MD 21703	240 310 9355
	Michigan	
Andrea Ryeson	5880 Sashabaw Rd Clarkston MI 48346	248 625 7300
Andrea Ryeson	7743 Sashabaw Rd Clarkston MI 48348	248 625 7300
Mark Davis	42142 Ford Rd , Canton, MI 48187	734 844 1402
Mark Axler	73 E Long Lake Rd Troy, MI 48085	248 813 1330
Stephanie Parenti	556 N Lapeer Rd Lake Orion MI 48362	248 693 0820

Chris Terry	6303 S Dort Hwy Grand Blanc MI48439	810 694 6877
Stephanie Parenti	1276 Walton Blvd , Rochester Hills, MI 48307	248 841 8996
Stephanie Parenti	7727 26 Mile Rd Washington Twp MI 48094	586 677 1566
Shawn McFaul	23153 Woodward Ave , Ferndale MI 48220	248 556-2005
Carlos Hesano	3617 W Maple Rd , Bloomfield Twp MI 48301	248 258 1111
Mark Davis	15175 Sheldon Rd , Plymouth, MI 48170	734 207 1400
Mike & Lisa McCormick	3790 Plymouth Rd , Ann Arbor MI 48105	734 222 1020
Stephanie Parenti	13851 Hall Rd , Shelby Twp , MI 48315	586 737 0312
Vijay Patel	30958 Five Mile Rd , Livonia, MI 48154	734 855 4942
Vicki Wyatt	9864 E Grand River Ave, Suite 150 Brighton MI 48116	810 229 0888
John Hoose	3050 Union Lake Rd Commerce Township, MI 48382	248 366 4611
Kelly Fowler	39552 Woodward Ave Bloomfield Hills, MI 48304	248 593 8661
New York		
Darren & Michelle Carbone	2955 Veteran's Rd , West Suite 21, Staten Island NY 10309	718 317 6800
Jessica Nuzzo	87 Route 111, Smithtown NY 11787	631 979 9000
North Carolina		
Larry Shifflett	2517 Lewisville-Clemmons Rd Clemmons NC 27012	336 766 0622
Carolyn Schwartz	10822 Providence Rd Charlotte, NC 28277	704 708 5044
Billy Miller	3040 South Evans St , Greenville, NC 27834	252 756 8900
Weston Norris	13600 New Falls of Neuse, Raleigh, NC 27614	919 761 5185
Adrienne Jankovics	12206 Copper Way, Suite 120, Charlotte, NC 28277	980 207 2815
Ohio		
Len Quataraco	2731 West Market St Fairlawn OH 44333	330 869 5433
Pennsylvania		
Gary Kohanbash	5430 Center Ave , Pittsburg, PA 15232	412 621 7666
Texas		
Abhay Salunke	2800 East Whitestone Blvd, Suite #110	512 528 5691
Jeff Gerl	12361 Barker Cypress Rd Cypress, TX 77429	832 334 5674
Abhay Salunke	1513 Stone Hill Drive, Pflugerville TX 78660	512 528 5691
Virginia		
Bassem Girgis	43670 Greenway Corporate Drive Ashburn VA 20147	703 723 7433
Rob & Linda Hicks	1460 Central Park Blvd Suite 112 Fredericksburg, VA 22401	540 735 4840
Susan & David Bragg	8014 Cresant Park Drive Gainesville, VA 20155	571 248 1777
Washington		
Paul Silver	4700 42nd Avenue SW Suite 200 Seattle, WA 98116	206 937 8432
Wisconsin		
Kat Solberg	1120 Crossing Meadows Drive, Onalaska WI 54650	608 783 3008

Master Franchisees		
Alabama		
Duane Goodwin & Terry Sharp	4880 Lower Roswell Rd, Suite 70, Marietta, GA 30068	770 973 6385
California		
Jeff & Deby Goodman	5151 Ohio Street, Yorba Linda, CA 92886	714 528 4324
Florida		
Duane Goodwin & Terry Sharp	12460 Crabapple Rd Suite 205 Alpharetta GA 30004	770 740 0654
Georgia		
Duane Goodwin & Terry Sharp	4880 Lower Roswell Rd, Suite 70 Marietta, GA 30068	770 973 6385
Louisiana		
William Miller & Charles Turner	1876 N Causeway Blvd Mandeville LA 70471	985 727 7340
North Carolina		
Larry Shifflett	2517 Lewisville-Clemmons Rd , Clemmons NC 27012	336 766 0622
South Carolina		
Larry Shifflett	2517 Lewisville-Clemmons Rd Clemmons NC 27012	336 766 0622
Tennesee		
Duane Goodwin & Terry Sharprp	4880 Lower Roswell Rd Suite 70, Marietta GA 30068	770 973 6385
10 PACK OUTLETS		
Arkansas		
Gwen & Marcus Heim	745 E Joyce Blvd Fayetteville AR 72703	480 629 4985
Arizona		
Michelle Martin & Daniel Button	3020 S Gilbert Rd Suite #4 Chandler, AZ 85286	985 727 7340
New York		
Robert Petta	319 County Route 75 Mechanicville, NY 12118	518 935 0698

EXHIBIT H
SBA Loan Addendum

THIS ADDENDUM (Addendum) is made and entered into on ___________, 20____, by **LaVida Massage Franchise Development, Inc**
, located at **8550 W Grand River Ave , Brighton, MI 48116** (Franchisor), and ________________________, located at ________________________ (Franchisee)

Recitals Franchisor and Franchisee entered into a Franchise (or License) Agreement on ____________, 20__, (Franchise Agreement) The Franchisee agreed among other things to operate and maintain a franchise located at _________________ designated by Franchisor as Unit #_________ (Unit) Franchisee has obtained from a lender a loan (Loan) in which funding is provided with the assistance of the United States Small Business Administration (SBA) SBA requires the execution of this Addendum as a condition for obtaining the SBA assisted financing

NOW, THEREFORE, in consideration of the mutual promises below, and for good and valuable considerations in hand paid by each of the parties to the others, the receipt and sufficiency of which the parties acknowledge, the parties agree as follows

Franchise Agreement is in full force and effect, and Franchisor has sent no official notice of default to Franchisee under the Franchise Agreement that remains uncured on the date hereof

Notwithstanding anything to the contrary in Section VII J of the franchise agreement, the franchisee shall have the discretion to set pricing for its products and services provided that, subject to applicable antitrust laws, such pricing (1) is at or below any maximum price by the franchisor, or (2) is at or above any minimum price by the franchisor, or (3) conforms to any bona fide promotional programs or national or regional accounts programs established from time to time by the franchisor When setting minimum/maximum or promotional pricing, we will establish prices that are necessary or appropriate in our reasonable judgment for units to compete effectively on a promotional or other basis in the markets in which the particular pricing requirements apply If we do so, they will be imposed on all franchisees, including our company-owned locations

Section XIV E of the Franchise Agreement provides that the Franchisor (or any Third Party Assignee of the Franchisor) may elect pursuant to its Right of First Refusal to exercise said option when the franchisee decides to sell partial interest(s) in the business This section is hereby amended to reflect that the Franchisor (nor any Third Party Assignee of the Franchisor) will not exercise the option for any partial sale of the franchisee's business The Franchisor (Third Party Assignee of the Franchisor) may not become a partial owner of any SBA financed franchises

This Addendum automatically terminates on the earliest to occur of the following (i) a Termination occurs under the Franchise Agreement (ii) the Loan is paid, or (iii) SBA no longer has any interest in the Loan

IN WITNESS WHEREOF, the parties hereto have duly signed and executed this Addendum as of the day and year first above written

FRANCHISOR.	**FRANCHISEE**
LaVida Massage Franchise Development, Inc	
By ____________________________	By _________________________
Print Name _____________________	Print Name __________________
Title ___________________________	Title _______________________

EXHIBIT I
RECEIPT
(in duplicate)
KEEP THIS COPY FOR YOUR RECORDS

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 LaVida Massage Franchise Development, Inc offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement for the payment of any consideration that relates to the franchise relationship

Michigan, Oregon, Washington and Wisconsin require that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration whichever occurs first

If LaVida Massage Franchise Development, Inc does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency in Exhibit A

The franchisor is LaVida Massage Franchise Development, Inc , located at 8550 W Grand River Ave Suite 100, Brighton, MI 48116 Its telephone number is 248-366-4611

Issuance Date March 31, 2017
Franchise Sellers Peggy Davis, 8550 W Grand River Ave, Suite 100 Brighton, MI 48116, 248 366 4611

LaVida Massage Franchise Development, Inc authorizes the respective state agencies identified in Exhibit A to receive service of process for it in their particular state

I received a disclosure document dated March 31, 2017 that included the following Exhibits

A List of State Agencies/Agents for Service of Process
B Tables of Contents of Manuals
C Financial Statement
D State Specific Addendum to Disclosure Document
E Franchise Agreement and Other Agreements
F List of Current Franchisees
G List of Former Franchisees
H SBA Loan Addendum
I Receipt

Dated ____________________

____
Signature

____
(Print Name)

____
Telephone

Complete Below for a Partnership or Corporation
Name ____________________
Title ____________________
Name of Company ____________________
____
Address ____________________

RECEIPT
SIGN, DATE AND RETURN THIS COPY TO US

This disclosure document summarizes certain provisions of the Franchise Agreement and other information in plain language Read this disclosure document and all agreements carefully

If LaVida Massage Franchise Development, Inc offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale or grant

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If LaVida Massage Franchise Development, Inc does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580 and the state agency in Exhibit A

The franchisor is LaVida Massage Franchise Development, Inc , located at 8550 W Grand River Ave , Suite 100, Brighton, MI 48116 Its telephone number is 248-366-4611

Issuance Date March 31, 2017
Franchise Seller Peggy Davis 8550 W Grand River Ave, Suite 100 Brighton, MI 48116, 248 366 4611

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I received a disclosure document dated March 31, 2017 that included the following Exhibits

A List of State Agencies/Agents for Service of Process
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E Franchise Agreement and Other Agreements
F List of Current Franchisees
G List of Former Franchisees
H SBA Loan Addendum
I Receipt

Dated ________________________ ________________________________

Signature

____

(Print Name)

____

Telephone

Complete Below for a Partnership or Corporation
Name ________________________
Title ________________________
Name of Company ______________

____
Address ______________________