

FRANCHISE DISCLOSURE DOCUMENT



Received
JUN 12 2019
Department of
Business Oversight

MASSAGE LUXE
INTERNATIONAL, LLC
(A Missouri Limited Liability
Company)
11 Champion Drive
Fenton, Missouri 63026
877-321-5893
636-600-4056
Contactus@massageluxe.com
<http://www.massageluxe.com>

We offer area representation franchises for the right to solicit prospective franchisees for MassageLuXe Spas (massage therapy spas featuring massage services, together with related services, products, merchandise, and accessories); provide initial training, and opening and on-going assistance and supervision to franchisees in a specific territory in accordance with the System and under the Marks.

The total investment necessary to begin your area representation operations ranges from \$214,700 to \$227,300. This includes \$200,500 that must be paid to the franchisor or its affiliates for the ~~minimum~~ 21 MassageLuXe Spas you are required to have opened under the Area Representative Agreement.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Dave Ruzicka, Director of Franchise Development, at 11 Champion Drive, Fenton, Missouri 63026 and 636-600-4056.

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

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

Issuance Date: March 30, 2018 ~~2019~~

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 D** for information about the franchisor, about other franchisors, 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 AREA REPRESENTATIVE AGREEMENT PERMIT THE FRANCHISOR TO SUE IN MISSOURI. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE US IN MISSOURI THAN IN YOUR HOME STATE.
2. THE AREA REPRESENTATIVE AGREEMENT STATE THAT MISSOURI 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 FRANCHISE OWNERS AND THEIR SPOUSES MUST EACH SIGN AN AGREEMENT TO BE PERSONALLY BOUND BY THE CONFIDENTIALITY AND NON-COMPETITION OBLIGATIONS OF THE FRANCHISEE.

We use the services of one or more FRANCHISE BROKERS and 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 make sure to do your own investigation of the franchise.

California Effective Date: _____

MassageLuXe
FRANCHISE DISCLOSURE DOCUMENT
FOR AREA REPRESENTATIVE PROGRAM

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- A. AREA REPRESENTATIVE AGREEMENT
- B. OPERATIONS MANUAL TABLE OF CONTENTS
- C. FINANCIAL STATEMENTS

- D. STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS
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ITEM 1
THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this franchise disclosure document, MESSAGE LUXE INTERNATIONAL, LLC, the franchisor of the MassageLuXe franchise, is referred to in this disclosure document as "we," "us," "our," or "MassageLuXe." The person who buys the area representation franchise is referred to in this disclosure document as "you" and "your." If the area representation franchise will be owned by a legal entity, "you" includes the shareholders of the corporation, partners of the partnership or members and managers of the limited liability company and their spouses, where applicable.

Us Franchisor and Our any Parent, Predecessor and Affiliates

We are a limited liability company formed under Missouri law on July 13, 2007. Our principal business address is 11 Champion Drive, Fenton, Missouri 63026. On September 27, 2018, the ownership of Massage Luxe International, LLC was acquired by WIT Nutrition I, LLC, a Delaware limited liability company ("WIT"). WIT's principal place of business is 3378 W. Highway 117, Sapulpa, OK 74066. We do not have any parents or predecessors.

WIT did not acquire ownership of any of the following entities which were previously considered our affiliates:

Team Luxe, LLC ("Luxe") which provided and will continue to provide equipment, inventory and supplies to our unit franchisees.

ABTB ML Kirkwood, LLC, ABTB ML Creve Coeur, LLC, ABTB ML CWE, LLC, ML Salon Investments, LLC, and T & E, LLC each of which operates a Spa (as defined below). In this disclosure document, these previously considered affiliates which operate Spas will be referred to individually and collectively as ("Old Affiliate Spa(s))."

Our agent or agents to receive service of process, if any, are in attached **Exhibit D.** ~~We do not have any predecessors.~~

~~Our parent is TBML, Inc., a Missouri corporation, which was incorporated on November 19, 2007. Its principal business address is 11 Champion Drive, Fenton, Missouri 63026.~~

Affiliates of Us Providing Services to Franchisees

~~Team Luxe, LLC ("Luxe"), a limited liability company formed under Missouri law on June 10, 2008, is our affiliate. Luxe's principal business address is 11 Champion Drive, Fenton, Missouri 63026. You may receive advisory services and operational support from Luxe. You may also purchase equipment, inventory and supplies from Luxe. Luxe does not now and has never in the past sold franchises in any line of business. Luxe does not conduct the type of business that you will operate.~~

Affiliates of Us Operating Businesses Similar to a Spa

~~ABTB ML Kirkwood, LLC ("ABTB Kirkwood"), a limited liability company formed under Missouri law on June 2, 2009, is our affiliate. ABTB Kirkwood's principal business address is 11 Champion Drive, Fenton, Missouri 63026. ABTB Kirkwood has owned and operated a MassageLuXe~~

~~Spa since August 2009. You will not conduct business directly with ABTB Kirkwood. ABTB Kirkwood does not and has never in the past sold franchises in any line of business.~~

~~ABTB ML Creve Coeur, LLC ("ABTB Creve Coeur"), a limited liability company formed under Missouri law on October 10, 2009, is our affiliate. ABTB Creve Coeur's principal business address is 11 Champion Drive, Fenton, Missouri 63026. Since December 2009, ABTB Creve Coeur has owned and operated a MassageLuXe Spa. You will not conduct business directly with ABTB Creve Coeur. ABTB Creve Coeur does not and has never in the past sold franchises in any line of business.~~

~~ABTB ML CWE, LLC ("ABTB CWE"), a limited liability company formed under Missouri law on December 7, 2009, is our affiliate. ABTB CWE's principal business address is 11 Champion Drive, Fenton, Missouri 63026. Since June 1, 2011, ABTB CWE has owned and operated a MassageLuXe Spa. You will not conduct business directly with ABTB CWE. ABTB CWE does not and has never in the past sold franchises in any line of business.~~

~~ML Salon Investments, LLC ("MLSI"), a limited liability company formed under Missouri law on September 9, 2007, is our affiliate. MLSI's principal business address is 11 Champion Drive, Fenton, Missouri 63026. Since May 2008, MLSI has owned and operated a MassageLuXe Spa. You will not conduct business directly with MLSI. MLSI does not and has never in the past sold franchises in any line of business.~~

~~T & E, LLC ("T & E"), a limited liability company formed under Missouri law on July 13, 2009, is our affiliate. T & E's principal business address is 11 Champion Drive, Fenton, Missouri 63026. Since February 2010, T & E has owned and operated a MassageLuXe Spa. You will not conduct business directly with T & E. T & E does not and has never in the past sold franchises in any line of business.~~

Our Business

Under this disclosure document we offer area representation rights to solicit prospective franchisees for MassageLuXe Spas; provide initial training, and opening and on-going assistance and supervision to franchisees in a specific territory in accordance with the System and under the Marks ("AR Business"). Under a separate Franchise Disclosure Document we grant franchises to operate MassageLuXe Spas which are massage therapy spas featuring massage services, together with related services, products, merchandise, and accessories under the Marks and System.

We have expended considerable time and effort in developing a network of businesses primarily featuring MassageLuXe Services and operating under the MassageLuXe Marks. However, as part of the System the Spas in your AR Territory will be required to offer all of the other Services and use the other Marks all in accordance with the System. We use the following definitions in this disclosure document to describe the business we have developed:

"FaceLuXe Marks" means such service marks, trademarks, trade dress, trade names, logos and commercial symbols, as may presently exist or which may be modified, changed or acquired by us or our affiliates in connection with the operation of the Spa and the offering of FaceLuXe Services. Currently the FaceLuXe Marks include "FaceLuXe" and "FaceLuXe and design."

"FaceLuXe Services" means such facial and waxing services and skin care treatments and related services, products, merchandise and accessories as may presently exist or which may be modified, changed, or acquired by us or our affiliates.

"Marks" means such service marks, trademarks, trade dress, trade names, logos and commercial symbols, as may presently exist, or which may be modified, changed, or acquired by us or our affiliates, in connection with the operation of an AR Business and a Spa. Marks currently include the MassageLuXe Marks and FaceLuXe Marks.

"MassageLuXe Marks" means service marks, trademarks, trade dress, trade names, logos and commercial symbols, as may presently exist or which may be modified, changed or acquired by us or our affiliates in connection with the offering of MassageLuXe Services.

"MassageLuXe Services" means massage therapy services together with related services, products, merchandise and accessories as may presently exist or which may be modified, changed, or acquired by us or our affiliates. Currently the MassageLuXe Marks include "MassageLuXe" and "ML and design."

"Spa" means any business operating under the MassageLuXe Marks according to and the System.

"System" means our distinct and proprietary business format for the operation of an AR Business and a massage therapy businesses offering the Services, including the methods, procedures, signs, designs, layouts, equipment, standards and specifications, and the Marks, as the same may be modified, amended or replaced from time to time hereafter, the distinguishing characteristics of which include proprietary operating procedures and standards and specifications for the Services.

"Services" means the MassageLuXe Services, the FaceLuXe Services and other related products and services offered in Spas.

Area Representation Franchises. Under this disclosure document we offer qualified applicants (the "Area Representative") the right to develop, own and operate Spas and serve as our independent representative to solicit franchisees, provide initial training, and provide opening and on-going assistance and supervision to franchisees in the territory designated in your ARA ("AR Territory"). If you qualify, you and we will sign an Area Representative Agreement (the "ARA" in **Exhibit A**). Under the ARA you must develop and operate at least 1 Spa as a model Spa ("Model Spa"), develop franchises, solicit prospective franchisees, and, between you and other franchisees in the AR Territory, open ~~a minimum of~~ 21 Spas in the AR Territory in the time period designated in the ARA. These Spas may be additional Spas opened by you or an affiliate of you ("Area Representative Spas") or Spas opened by franchisees you solicit and we approve ("Franchised Spas"). You will sign a Franchise Agreement with us for the Model Spa and each Area Representative Spa you open. A Franchise Agreement will be signed only by us and the franchisee for each Franchised Spa. For each Franchised Spa you have sold and serviced within your AR Territory, we will remit to you 50% of the initial franchise fees we collect (less amounts we pay to commissioned sales agents and internal sales staff, if any, who participate in the sale of a Spa in your AR Territory), 50% of any transfer fees we collect, and ~~40% a portion of~~ the royalties we collect equal to 2% of the Gross Revenue (as that term is defined in the applicable Franchise Agreement) (less amounts of royalties we are entitled to receive which are not paid to us). We will also remit to you ~~40% a portion of~~ the royalties paid to us by your Area Representative Spas which is equal to 2% of the Gross Revenue from your Developer Spas (less amounts of royalties we are entitled to receive which you fail to pay to us).

Single Franchise. Under a separate disclosure document we offer an approved applicant a franchise to operate a single Spa under the terms and conditions of a MassageLuXe Franchise Agreement.

Area Development Franchises. Under the disclosure document offering the single franchise program, we also offer applicants the right to open a specific number of Spas within a specific territory under an Area Development Agreement.

The services and related goods offered by our Spas are well recognized by consumers and widely available from other sources. The market for the Spa's services and related goods is well developed. Our services and related goods are sold to individuals and to businesses. Selling is not seasonal, and services are offered throughout the year. AR Businesses will have to compete with other area representation businesses sold by franchisors in various other types of businesses such as restaurants, hair salons, etc.

Industry Regulations

In connection with your solicitation of potential franchisees, you must comply with, and conduct all franchise promotion, advertising and other activities in accordance with the Federal Trade Commission Rule on Franchising and Business Opportunity Ventures (the "FTC Rule") and any and all state franchise and business opportunity laws and regulations. You may be required under certain state franchise registration laws to obtain your own franchise registration or your own franchise brokerage license before you can offer to sell unit franchises in those states. You are responsible for knowing and complying with all laws and licensing requirements related to the operation of your AR Business and should consult an attorney regarding the laws and regulations that may be applicable. Note that the Franchised Spas must comply with all local, state and federal laws that apply to the operation of businesses that offer the Services, which may include state and federal laws and regulations relating to privacy of patient records (including the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the privacy rules required of "covered entities" under HIPAA). Many states and local governments require massage therapists and massage therapy spas be licensed, and many states and local governments require estheticians and business offering facial and waxing services to be licensed. The Franchised Spas must only use therapists and estheticians comply with those requirements, including completing any certification or other required courses. You must ensure that only licensed therapists and licensed estheticians perform any services for which a license or specialized training is required.

We have been offering single franchises, area development franchises and area representation franchises since 2008. We manage the MassageLuXe network of franchisees. We do not engage in any other business activity. We do not operate any Spas. We have not in the past and do not now offer franchises in any other line of business or in this line of business under a different name.

ITEM 2 BUSINESS EXPERIENCE

Mark Otter, President and Chief Executive Officer

Mr. Otter has been the President and Chief Executive Officer of Massage Luxe International, LLC since December 2016 and was the Chief Operating Officer of Massage Luxe International, LLC from April 2016 until December 2016. ~~Mr. Otter has been the President of the following entities since December 2016, and was was first the Chief Operating Officer of these and then was the President of the following entities in Fenton, MO from April 2016 until December 2016~~ September 2018: Xist International, LLC, BAM Brands, LLC, Xist Arnold, LLC, Team Tan, Inc., BRJ, LLC, THETANCO, Inc., ABTB ML CWE, LLC, ABTB ML Creve Coeur, LLC, ABTB ML Kirkwood, LLC, Team Luxe, LLC, and ML Salon Investments, LLC and THETANCO, Inc. ~~Mr. Otter was the President of Life Center Payroll Administration, LLC from December 2016 until October 2017. He was the Chief Operating Officer of Life Center Payroll Administration, LLC from May 2016 to December 2016. From October~~

2009 until February 2016, Mr. Otter was the Division President of Steak and Shake Restaurants in St. Louis, MO.

Jason Malacarne, Vice President of Operations

Since August 2016, Mr. Malacarne has been the Vice President of Operations of Massage Luxe International, LLC. From July 2015 to July 2016, Mr. Malacarne was the Director of Operations for Massage Luxe International, LLC. From February 2013 until July 2015, Mr. Malacarne was the Corporate District Manager for Salon Investments, LLC in Fenton, an affiliate of ours which operates our affiliate owned MassageLuxe SpasMO.

Stephanie Struckhoff, Vice President of Marketing

Since September 2016, Ms. Struckhoff has been the Vice President of Marketing of Massage Luxe International, LLC. From April 2012 until August 2016, Ms. Struckhoff's title in Massage Luxe International, LLC was ~~Vice President of Operations and Marketing.~~ Since September 2016, Ms. Struckhoff has also been the Vice President of Marketing for BAM Brands, LLC in Fenton, Missouri. From May 2012 until August 2016, Ms. Struckhoff's title in BAM Brands, LLC was Vice President of Operations and Marketing. From the dates listed until August 2016, Ms. Struckhoff was the Vice President of Operations and Marketing for the following limited liability companies in Fenton, Missouri: NB Life Fenton, LLC (December 2015); NB Life Kenrick, LLC (December 2015); NB Life Creve Coeur, LLC (October 2015); LifeXist International, LLC (September 2015); ~~Xist PT~~ BAM Brands, LLC (January 2013); May 2012 Xist International, LLC (April 2012); Xist Arnold, LLC (April 2012); BRJ, LLC (April 2012); ~~Face Luxe International, LLC (April 2012);~~ ABTB Euclid ~~LuXeSthetics, LLC (April 2012);~~ ABTB ML CWE, LLC (April 2012); ABTB ML Creve Coeur, LLC (April 2012); T & E, LLC (April 2012); ABTB ML Kirkwood, LLC (April 2012); ML Salon Investments V, LLC (April 2012); Team Luxe, LLC (April 2012); ML Salon Investments, LLC (April 2012); Salon Investments, LLC (April 2012); THETANCO, Inc. (April 2012); and Team Tan, Inc. (April 2012). From April 2012 until August 2016, Ms. Struckhoff was the Vice President of Operations and Marketing for LuXeSthetics, LLC in Fenton, Missouri. From August 2016 to December 2017, Ms. Struckhoff's title in LuXeSthetics, LLC was Vice President of Marketing. From April 2012 until August 2016, Ms. Struckhoff was the Vice President of Operations and Marketing for ML Salon Investments V, LLC in Fenton, Missouri. From April 2012 until February 2016, Ms. Struckhoff was the Vice President of Operations and Marketing for ML Chesterfield, LLC in Fenton, Missouri.

Maureen "Cookie" Pangilinan – Chief Financial Officer

~~Since the dates listed~~ Ms. Pangilinan has served as the Chief financial Officer of Massage Luxe International, LLC since December 2007. Ms. Pangilinan has also been the Chief Financial Officer of the following entities in Fenton, Missouri since the dates listed until September 2018: NB Life Fenton, LLC (December 2015); NB Life Kenrick, LLC (December 2015); NB Life Creve Coeur, LLC (October 2015); LifeXist International, LLC (September 2015); Xist PT, LLC (January 2013); BAM Brands, LLC (May 2012); Xist International, LLC (March 2012); Xist Arnold, LLC (February 2012); BRJ, LLC (September 2011); Spray La Vie International, LLC (April 2011); Face Luxe International, LLC (February 2011); FaceLuXe Licensing I, LLC (February 2011); ~~ABTB Euclid, LLC (February 2011);~~ ABTB ML CWE, LLC (December 2009); ABTB ML Creve Coeur, LLC (October 2009); T & E, LLC (July 2009); ABTB ML Kirkwood, LLC (June 2009); Team Luxe, LLC (June 2008); Team Tan, Inc. (January 2008); THETANCO, Inc. (January 2008); ML Salon Investments, LLC (January 2008); Salon Investments, LLC (January 2008); KAT, Inc. (January 2008); and St. Louis Tan Company, Inc. (January 2008). ~~—; ABTB Euclid, LLC (February 2011); ABTB ML CWE, LLC (December 2009); ABTB ML~~

Creve Coeur, LLC (October 2009); T & E, LLC (July 2009); ABTB ML Kirkwood, LLC (June 2009); and Team Luxe, LLC (June 2008); From November 2010 until December 2017, Ms. Pangilinan was the Chief Financial Officer of LuXeSthetics, LLC in Fenton, Missouri. From March 2009 until August 2016, Ms. Pangilinan was the Chief Financial Officer of ML Salon Investments V, LLC in Fenton, Missouri. From February 2012 until February 2016, Ms. Pangilinan was the Chief Financial Officer of ML Chesterfield, LLC in Fenton, Missouri.

David Ruzicka – Director of Franchise Development

David Ruzicka has served as the Director of Franchise Development for Massage Luxe International, ~~Inc., LLC~~ since January 2010. From January 2010 to December 2015, Mr. Ruzicka was the Director of Franchise Development for THETANCO, Inc. ~~From April 2011 to April 2013, Mr. Ruzicka was the Director of Franchise Development for Spray La Vie International, LLC in Fenton, Missouri.~~

Katie Ninness – Director of Franchise Operations

~~Since February 2008, Katie Ninness has been a Director of Franchise Operations for Massage Luxe International, LLC. From February 2008 to December 2015, Ms. Ninness was the Director of Franchise Operations for THETANCO, Inc. From April 2011 to April 2013, Ms. Ninness was the Director of Franchise Operations for Spray La Vie International, LLC in Fenton, Missouri.~~

Amy Hoelscher – Director of Franchise Operations

~~Since June 2017, Amy Hoelscher has been a Director of Franchise Operations for Massage Luxe International, LLC. From October 2016 to June 2017, Ms. Hoelscher was a corporate trainer for Massage Luxe International, LLC. From October 2015 to October 2016, Ms. Hoelscher was a District Manager for our affiliate, St. Louis Tan Company, Inc. From February 2015 to October 2015, Ms. Hoelscher was a Senior General Manager for St. Louis Tan Company, Inc. From May 2010 to February 2015, Ms. Hoelscher was a General Manager for St. Louis Tan Company, Inc.~~

**ITEM 3
LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4
BANKRUPTCY**

Mark Otter and Christa Otter filed a bankruptcy petition under the liquidating provisions of Chapter 7 of the U.S. Bankruptcy Code on March 31, 2010, which was prior to Mark Otter's employment with us as our President and Chief Executive Officer. In re Otter, No. 10-43330-705 (E.D. MO 2010). On September 14, 2010, the bankruptcy court entered a discharge. No other bankruptcy is required to be disclosed in this Item.

**ITEM 5
INITIAL FEES**

When you sign the ARA, you are obligated to pay us a non-refundable initial fee of \$200,000 (the "AR Fee") for the minimum 21 Spas you must open in the AR Territory. The AR Fee is fully earned by us when you sign the ARA and is not refundable under any circumstances. In 2018, we agreed to grant an ADA for only 11 Spas and to reduce the Development Fee to \$100,000

In addition to the AR Fee, as an Area Representative you are also required to purchase a license from us to use our POS System software. This licensed software is in addition to the POS System Software license you must buy from us for your Model Spa or any other Area Representative Spas. The POS System Software Fee you will owe as an Area Representative is \$500. The POS System Software Fee is fully earned by us when you sign the ARA and is not refundable under any circumstances.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Per Day Fee	Our then-current fee. Currently, we charge \$400 per day per trainer	As we and you agree	If you request us to provide assistance or if we require your employees to be trained
Transfer Fee	10% of the gross purchase price of your ARA rights or \$25,000, whichever is greater	Concurrently with the transfer	Upon a transfer under the ARA
Renewal Fee	\$1,000 per operating Spa in the AR Territory	Concurrently with our granting a renewal franchise to you	Paid to us if you want to renew the ARA
<u>Lead Generation Fee</u>	<u>\$1,500 per month until you have fulfilled all of your development obligations</u>	<u>As incurred</u>	<u>Paid via debit draft of your account as initiated by us or offset against fees we owe to you under the ARA</u>
Interest ²	The lesser of 1.5% per month or the highest contract rate of interest permitted by law	When underlying obligation is paid	Paid if you are late on any required payment to us
Costs and Attorney's Fees	Actual Costs	Upon demand	You'll reimburse us for accounting, attorneys', arbitrators' and related fees incurred by us if we are forced to seek enforcement
<u>Dispute Resolution Fee</u>	<u>\$50,000 plus actual costs</u>	<u>Upon demand</u>	<u>Payable if you breach the dispute resolution provisions of the ARA</u>
Taxes ³	Actual Costs	Upon demand	
<u>Lead Generation</u>	<u>\$1,500 per month</u>	<u>As incurred</u>	<u>Paid via debit draft of your account as initiated by</u>

TYPE OF FEE ¹	AMOUNT	DUE DATE	REMARKS
Fee	until you have fulfilled 80% of your development obligations		us or offset against fees we owe to you under the ARA
Franchise Sales Consulting Fee	\$5,000 per franchise sold	Concurrently upon the sale of a franchise in your AR Territory	If we assist you in the sale of a franchise within your AR Territory

¹ All fees are paid to us or our affiliates. All fees are non-refundable and uniformly imposed unless otherwise noted.

² You must pay interest on any unpaid amounts at the rate of the lesser of 1.5% per month or the maximum legal rate in the jurisdiction where your AR Territory is located. Interest begins from the date any payment is due.

³ You must pay us the amount of any State or local sales, use, gross receipts, or similar tax that the State or local government authority imposes on fees which you pay to us under the ARA, without offset or deduction of any kind. Your obligation to reimburse us for these taxes does not extend to income-type taxes which a State or local government imposes on our income.

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
AR Fee ¹	\$200,000	Lump sum	When you sign the ARA.	Us
Insurance ²	\$3,000 - \$5,000	Lump sum payment of first year premium	Before the start of operations	Insurance companies
Professional Fees ³	\$2,000 - \$3,000	As Incurred	Terms Vary	Accountants, lawyers, State Agencies, etc.
Marketing and Advertising Expenses ⁴	\$4,500 - \$10,000	As Incurred	Terms Vary	Advertising Sources
Office Supplies ⁵	\$1,500 - \$2,500	As Incurred	Before the start of operations	Office supply vendors; approved vendors

TYPE OF EXPENDITURE ¹	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
POS System Software Fee	\$500	Lump sum	As invoiced	Us
Training Expenses	\$3,200 - \$6,300	Terms vary	Terms vary	Transportation, meals, lodging, etc.
Additional Funds - 3 months ⁶	0			
Total ⁷	\$214,700 - \$227,300			

¹ If you sign an ARA, you are required to open a Model Spa which will require you to incur additional costs. These costs and expenses are described in a separate disclosure document which offers the single franchise program, a copy of which will be provided to you by us prior to executing an ARA. The AR Fee is described in Item 5 above. The AR Fee is not refundable.

² Your costs for insurance may vary depending on the insurer, and where you are located. This is an estimate of your annual premium for your insurance which is described in the ARA in Article 9 and Item 8.

³ You may require the assistance of attorneys, accountants and other professional service providers in establishing your business. These amounts may vary depending on the extent of the services required.

⁴ The low end represents 3 months of the required \$1,500 per month to be spent on an Advertising Program as described in Section 6.A (2) of the ARA. The high end represents additional funds which may be spent by the Area Representative in excess of the required Advertising Program.

⁵ This represents an estimate of the cost to purchase the Computer System hardware, a smartphone with data capabilities and other miscellaneous office supplies.

⁶ There are no additional funds necessary under this Area Representation program. The only additional funds which will be necessary are under the Unit program when the Model Unit is developed. The additional funds necessary under the Unit program are described in the separate disclosure document which offers the single franchise program.

⁷ Your costs will depend on how closely you follow the System, your management skill, experience and business acumen, local economic conditions, the acceptance by local consumers of our approved goods/services, prevailing wage rates, competition, etc. We relied upon our experience ~~in constructing our affiliate owned locations selling and supporting our franchisees~~ in compiling the estimates listed in the charts above. Your expenses may differ. Except as described above, none of the fees listed in this Item are refundable. You should review these figures carefully with a business advisor and attorney before making any decision to purchase an area representation franchise.

We do not offer, either directly or indirectly, financing to you for any items. (See Item 10 of this document.) The availability of financing will depend upon various factors like the availability of financing generally, your credit worthiness, other security that you may have, and the requirements of lending institutions concerning the type of business to be operated by you.

ITEM 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate the AR Business according to our System. In order to ensure that the System is uniformly maintained, we have established standards and specifications for you to follow which are described in the Operations Manual. At this time, you are not required to purchase equipment, supplies, inventory, and a computer system from approved suppliers, other than certain computer software, which is obtained through an approved supplier.

We and our affiliates reserve the right to negotiate with various vendors for quantity discount contracts which may include rebates to us or our affiliates under these contracts. We have the right to condition or revoke your right to participate in any supplier programs if you are in default under the ARA or any Franchise Agreement with us. We have the right to affiliate ourselves with suppliers or become an approved supplier or the sole supplier. Further, we and our affiliates have the right to receive revenues, rebate, commissions or other benefits from suppliers based on purchases made by our area representative franchisees. In the last fiscal year ending December 31, ~~2017~~2018, neither we nor any of our affiliates received rebates based on purchases from our area representative franchisees.

Currently, there is no approved supplier for the AR Business that is an affiliate of us or is owned by any of our officers, but we and our officers reserve the right to own an interest in approved suppliers in the future.

The purchase of products from approved sources will represent less than 1% of your overall purchases in opening the AR Business and less than 1% of your overall purchases in operating the AR Business.

There are no purchasing or distribution cooperatives at this time. While we may do so in the future, we have not negotiated purchase arrangements with suppliers for our franchisees' benefit, but we reserve the right to do so in the future. We do not provide you material benefits based on your purchase of particular products or services or use of any particular suppliers.

In addition to the purchases or leases described above, you must buy and maintain, at your own expense, insurance coverage that we require and to meet the other insurance-related obligations, all of which are described in greater detail in Article 9 of the ARA. The cost of coverage will vary depending on the insurance carrier's charges, terms of payment and your history. All insurance policies must name us and our designated affiliates as an additional insured party. We may, from time to time, in our sole discretion, make such changes in minimum policy limits, coverage, and endorsements as we may determine, which we will specify in the Operations Manual.

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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 that agreement and in other items of this franchise disclosure document.

OBLIGATION	ARTICLE NUMBER IN ARA	ITEM NUMBER IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Not applicable	7 and 11
b. Pre-opening purchases/leases	Not applicable	7 and 8
c. Site development and other pre-opening requirements	Not applicable	5, 6, 7 and 11
d. Initial and ongoing training	Article 5 of the ARA	11
e. Opening	Not applicable	11
f. Fees	Article 2 of the ARA	5 and 6
g. Compliance with standards and policies / operating manual	Article 6 of the ARA	11 and 14
h. Trademarks and proprietary information	Articles 10 and 11 of the ARA	13 and 14
i. Restrictions on products/services offered	Not applicable	16
j. Warranty and customer service requirements	Not applicable	11
k. Territorial development and sales quotas	Articles 3 and 14.A(2) of the ARA	12
l. Ongoing product/service purchases	Not applicable	8
m. Maintenance, appearance and remodeling requirements	Not applicable	11
n. Insurance	Article 9 of the ARA	7 and 8
o. Advertising	Article 6.A of the ARA	6, 7 and 11
p. Indemnification	Article 8 of the ARA	6
q. Owner's participation/management/staffing	Not applicable	11 and 15
r. Records and reports	Articles 6.B and 6.C of the ARA	6
s. Inspections and audits	Article 6.C of the ARA	6 and 11
t. Transfer	Article 12 of the ARA	6 and 17
u. Renewal	Article 1.B of the ARA	6 and 17
v. Post-termination obligations	Articles 13.B & 14.E of the ARA	17
w. Non-competition covenants	Article 13 of the ARA	17
x. Dispute resolution	Article 16 of the ARA	17

ITEM 10 FINANCING

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

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

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

Before you open your AR Business, we will:

- Designate your exclusive AR Territory (ARA – Article 1.A and Appendix A).
- Loan you a copy of our Operations Manual (ARA – Article 5.B.). The Operations Manual, which may be in a format determined by us (i.e., in writing, on CD-ROM, via electronic media through a secure website, etc.) is confidential and remains our property. You will operate your AR Business in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Operations Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications, or amendments thereto, all of which are a part of the Operations Manual.

You must always treat in a confidential manner the Operations Manual, any other manuals we create (or that we approve) for use with the AR Business, and the information contained in the Operations Manual. You may not copy, duplicate, record, or otherwise reproduce all or any part of the Operations Manual and the related materials, (except for the parts of the Operations Manual that are meant for you to copy, which we will clearly mark), nor may you otherwise let any unauthorized person have access to these materials. The Operations Manual will always be our sole property. You must always keep the Operations Manual in a secure place at the AR Business premises. We may periodically revise the contents of the Operations Manual, and you must make corresponding revisions to your copy of the Operations Manual and comply with each new or changed standard which is mandatory. If there is ever a dispute as to the contents of the Operations Manual, our master copy of the Operations Manual (maintained at our home office) will be controlling. The Operations Manual is ~~225~~ 256 pages and the table of contents of the Operations Manual is attached as **Exhibit B**.

- Provide you with an initial training program described below in this Item 11 (ARA – Article 5.A.).
- License you the right to use the POS System software (ARA – Article 1.E.). We charge the POS System Software Fee for this right.
- You will typically operate out of your home until you open up your Model Spa. The site information regarding the Model Spa is described in a separate Franchise Disclosure Document offering the single franchise program, a copy of which will be provided to you prior to your execution of an ARA.

Time for Opening the AR Business

Under the ARA, once you have completed our initial training program for the AR Business you are considered open for business and can begin soliciting potential franchisees. In addition, simultaneous with the signing of the ARA, you must enter into a Franchise Agreement in order to open and operate at least one Spa within the AR Territory to be used as a Model Spa. The Model Spa that you open under

that Franchise Agreement must open no more than 270 days after the effective date of the ARA. (ARA – Article 3.D.).

If you are unable to find a location for your Spa within the required time, or if you are unable to open your Spa within the required time, you have to apply to us for an a reasonable extension of time, which we may grant or refuse based on our determination of the circumstances causing the delay.

During the Operation of your AR Business, we will:

- Provide you with general guidance, for which we have the right to charge a reasonable fee (ARA – Article 5.C).
- Maintain a centralized telephone number and/or website or other Internet presence for the purpose of advertising the sale of franchises generally (ARA – Articles 5.E).
- Pay you the following in compliance with the terms of the ARA for each franchise sold by you in your AR Territory: (i) 50% of the initial franchise fee or transfer fee actually received from Franchised Spas (less your 50% share of certain costs incurred, if any, in connection with the sale or transfer, like commissions to sales agents); and (ii) 40% of the royalty fees actually received 2% of the Gross Revenue from each Spa located within the ADA Territory which is sold by you and collected by us (ARA – Article 7).
- Provide in our sole discretion final approval on potential franchisees within your AR Territory (ARA – Articles 3.F and 6).
- Provide you with our franchise disclosure document, which you must use to solicit franchisees within your AR Territory. We will attempt to maintain effective franchise registrations in all franchise registration states in your AR Territory. You may have to register before you may solicit franchisees, should any franchise registration state determine that, as an Area Representative, you are a franchise broker or subfranchisor. A franchise registration state may also require you to use your own franchise disclosure document when soliciting franchisees, and you must use that document, subject to our right to consent, instead of our disclosure document in that case (ARA – Article 5.D). Our consent will be limited to review of such disclosure document to assess descriptions of our business, the Marks and System and the agreements that franchisees you solicit will be required to sign.

Advertising

Creative Services Advertising Fund

Area Representatives do not pay into a marketing or advertising fund. However, you will be required to pay us a lead generation fee of \$1,500 per month until you have fulfilled at least 80 least 100% of your development obligations under your ARA. We will use this amount these fees to finance the advertisement of the sale of franchises, along with the cost of search engine optimization and other methods we determine prudent to advertise the sale of franchises generally. We are not required to market the sale of franchises or otherwise spend any amount on advertising in any particular region, and the advertising to be conducted by us will not be designed to target any particular geographic area, including your AR Territory.

All Spas must contribute a monthly Regional Ad Fee and National Ad Fee to our Creative Services Advertising Fund. You will contribute to the Creative Services Advertising Fund as a franchisee

under the Franchise Agreement for your Model Spa. The details of the Creative Services Advertising Fund are described in a separate disclosure document that offers the single franchise program.

There is no advertising council composed of franchisees at this time. There are no advertising cooperatives or franchisee councils involved in the advertising process at this time. You are not required to participate in any local or regional advertising cooperative.

Local Advertising

We encourage you to create and develop an advertising and promotional program for the purpose of recruiting prospective franchisees within the AR Territory. However, we do not require you to spend any minimum amount on your own advertising and promotion of your AR Business. In the event you create or develop your own advertising and promotional programs, you must submit to us for prior approval samples of all sales, promotional, and advertising and other materials, which relate to recruiting new franchisees. We will notify you of our approval of the proposed materials and programs within 15 days after we receive them from you. If we do not approve the materials within this period of time, the materials will be deemed disapproved and you may not use them in any manner. We will use reasonable efforts to respond within this 15 day period and will not unreasonably withhold or delay our approval. You will be responsible for any state or local filings necessary for these materials. You will not advertise or use in advertising or other form of promotion, the Marks without the appropriate copyright, trademark, and service mark symbols ("©", "®", "TM" or "SM") as we direct. You are responsible to ensure that all advertising and promotion materials used by you, whether created or consented to by us, comply with applicable laws.

Internet and Other Electronic Advertising

You may not use any Marks as part of any corporate or legal business name or Internet domain name or email address, or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you), or in any modified form, nor may you use any Marks in connection with the performance or sale of any unauthorized services or products or in any other manner we have not expressly authorized in writing. No Marks may be used in any advertising concerning the transfer, sale or other disposition of your AR Business or an ownership interest in you.

We have established an Internet website that provides information about the MassageLuXe Spa locations. We have sole discretion and control over the website (including timing, design, content and continuation). At your expense, we may include at this website an interior page containing information about you and your AR Business. We may require you to prepare, at your cost, all or a portion of the page containing information about you using our template. All such information will be subject to our approval prior to posting. Except for this interior page, you agree not to maintain a presence on the Internet for your AR Business other than in accordance with an advertising program approved by us. Any advertising on the Internet, delivered by facsimile, electronic mail or other electronic means shall be pre-approved by us and on terms specified by us. We may require you to place all such electronic advertisements with us or our designated third party vendor.

Computer and POS System

You will need a computer with an Internet connection and a printer. The cost of this computer equipment will range from \$500 to \$1,000. We also require you to use certain computer software when operating the AR Business. We currently require the Venge software package. You will pay us an initial fee of \$500. There is no ongoing fee for an Area Representative under an ARA. There are ongoing fees

for a franchise operating a Spa, which is described in a separate disclosure document that we will provide to you before you sign an ARA.

You will also need access to the Internet in order to communicate with us, as well as to create correspondence and records related to the franchisees operating in your AR Territory. It will be your responsibility to find an Internet Service Provider.

Maintaining the computer system is your sole responsibility. You agree to maintain at your own expense a computer system that conforms to the requirements and formats we prescribe, including updating all computer software and hardware as required by us. Neither we, nor any of our affiliates, nor any third parties, are required to provide ongoing maintenance, repairs, upgrades or updates to any part of your computer system. There are no contractual limitations on the frequency or cost of hardware and software upgrades required to conform to our system standards. We have the right, as often as we deem appropriate, including on a daily basis, to independently access your computer systems and to retrieve all information about the Spa's operating in your AR Territory. There are no contractual limitations on our right to access the information, and you must ensure that we are able to remotely connect to your computer/point of sale system and the systems of the Spas in your AR Territory at all times for this purpose. None of the hardware components or software programs are the proprietary property of MassageLuXe or any of our affiliates, but they are exclusive to us.

We reserve the right to change the computer system described in this Item at any time. There are no contractual limitations on the frequency and cost of this obligation. We need not reimburse you for any of these costs.

Training

We will provide you with an initial training program for your AR Business by in-person training, video conferencing, telephone conferencing or webinar, at our discretion. This will be a minimum of ~~6-8~~ hours. In order to establish and operate your Model Spa, we or our representatives or agents will also provide 10 working days of initial training to you and up to 10 additional employees. That training is described in a separate disclosure document that offers the single unit franchise, which will be given to you before you sign the ARA. You (or your managing owner) are required to complete the initial training to our satisfaction within 30 days of signing the ARA. You and your designated employees must complete the initial training program for your Model Spa to our satisfaction before you open your Model Spa. If we determine that you (or your managing owner) are unable to complete initial training to our satisfaction, we have the right to terminate the ARA.

We do not charge for the initial training program for the AR Business. We expect that training will be conducted for you (or your managing owner) after the ARA has been signed. You will be responsible for all travel and living expenses which you (or your managing owner) incur while training.

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING ²	HOURS OF ON THE JOB TRAINING	LOCATION
Franchise Marketing/Lead Generation	<u>62</u>	<u>40</u>	Fenton, MO or at another MassageLuXe Spa
Franchise Sales	<u>62</u>	<u>60</u>	Fenton, MO or at another MassageLuXe Spa

SUBJECT	HOURS OF CLASSROOM TRAINING ²	HOURS OF ON THE JOB TRAINING	LOCATION
Qualifying of Prospects	<u>21</u>	<u>40</u>	Fenton, MO or at another MassageLuXe Spa
Financing	1	<u>30</u>	Fenton, MO or at another MassageLuXe Spa
Store Development/Site Development	<u>12</u>	<u>50</u>	Fenton, MO or at another MassageLuXe Spa

¹ It is the nature of the MassageLuXe business that all subjects are integrated into the training program, and that there are no clear delineations between the subjects being learned. Several subject will also overlap with training you receive in connection with the Franchise Agreement for your Model Spa.

² The actual hours of training will likely vary, depending on the prior experience of the Area Representative.

We use our Operations Manual, advertising materials, the disclosure document, demographic information about your area, our standard franchise application form and Small Business Administration materials as instructional materials for the Area Representative training. Initial training will be provided by David Ruzicka and Jason Malacarne Stephanie Struckhoff and Cookie Pangilinan. Mr. Ruzicka is our Director of Franchise Development and has over 20 year of experience with franchise sales. Mr. Malacarne is our Vice President of Operations and has served in various management roles with us and our affiliates since 2010 Old Affiliate Spas and other previously affiliated entities since 2010. Ms Struckhoff has been our Vice President of Marketing since 2016. From 2012 until 2016, she was the Vice President of Marketing and Operations. Ms. Pangilinan is our Chief Financial Officer, a role she has held since 2007.

ITEM 12 TERRITORY

We give you the right to solicit franchisees, develop, open and service ~~a minimum of 21~~ Spas in the AR Territory that we determine before you sign the ARA. There is no minimum size for the AR Territory and its size and shape will be determined based on various market and economic factors like market demographics and the penetration of Spas and similar businesses in the market, the availability of appropriate sites and growth trends in the market. You may not offer to sell a Spa anywhere outside your AR Territory. A relocation of your AR Territory will require our approval, which we may grant or withhold in our sole discretion. In addition to considering the market and economic factors described above for any proposed relocation of your AR Territory, we will consider the proximity to other territories granted to our Area Representatives.

You must solicit franchisees, develop, open, and service each Spa that you sell under your ARA pursuant to a Franchise Agreement between the franchisee and us. So long as you are in compliance with your obligations under your ARA, we will not establish, nor license anyone other than you area representation rights for Spas within the AR Territory during the term of your ARA. If you do not exercise your Area Representative rights within the schedule provided in your ARA, or if you otherwise fail to comply with the terms of the ARA or any Franchise Agreement you or your affiliates may have with us, or any other agreement between you or your affiliates and us, your rights to develop Spas in the AR Territory may be terminated.

Except as described above, we reserve all other rights with respect to the System, Marks and development of Spas, including the right to establish, and grant development rights for Spas anywhere outside your AR Territory and to establish Spas within transportation facilities within and outside of your AR Territory; to establish, and grant to franchisees the right to establish, businesses within your AR Territory or outside of your AR Territory under trademarks or service marks different than the Marks or systems different from the System; to sell services or ancillary products, whether or not using the Marks, inside or outside your AR Territory through distribution channels other than Spas, including, but not limited to catalogs distributed within your AR Territory, infomercials, toll free telephone numbers, mail order, the Internet, print, direct marketing media and any other non-spa outlets inside or outside your AR Territory, and we may promote services and products bearing the Marks at special events, conventions, athletic contests, etc., through temporary locations and mobile units (both inside and outside your AR Territory); and to purchase, be purchased, merge, acquire, be acquired or affiliate with a competitor or any other business regardless of the location of the competitor or business, and to operate, franchise or license these businesses as Spas under the System or Marks or under other proprietary marks, regardless of the location of these businesses, whether such businesses are in your AR Territory or outside your AR Territory. You will not receive any compensation if we exercise these reserved rights.

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

You do not acquire any options, rights of first refusal, or similar rights when you enter into the ARA, other than the right to open the ~~minimum~~ number of Spas specified in your ARA.

Neither we nor any of our affiliates have granted, or presently intend to grant other area representation rights for franchises selling or leasing similar products or services under a different trade name or trademark, but we have the right to do so.

There is no restriction on where or by what means (Internet advertising or direct marketing, for example) in the U.S. or the world you may solicit franchisees to open Spas in the AR Territory, but we must consent to the content any advertising or other solicitation materials you use. The ARA also does not restrict us or our affiliates or agents from soliciting prospective franchisees from within the AR Territory for Spas outside the AR Territory.

ITEM 13 TRADEMARKS

We grant you the right to use the Marks in your AR Business. Our trademarks listed below are registered on the Principal Register with the United States Patent and Trademark Office ("PTO"). Our principal Marks include:

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE	PTO REGISTER
MassageLuXe	3,463,781	July 8, 2008	Principal
	3,575,936	February 17, 2009	Principal

TRADEMARK	REGISTRATION NUMBER	REGISTRATION DATE	PTO REGISTER
	3,996,943	July 19, 2011	Principal
FaceLuXe	3,996,944	July 19, 2011	Principal
	4,912,422	March 8, 2016	Principal
	4,755,037	June 16, 2015	Principal

All affidavits or renewal filings that were required to be filed have been filed in connection with the registration of these Marks. We intend to file all affidavits and to renew the registrations for the Marks when they become due. You must follow our operating procedures when you use the trademarks. You cannot use the Marks or any of our other trademarks or service marks as part of your corporate name. You may not use the Marks if you wish to advertise the sale of your franchise.

There are no currently effective material determinations of the PTO, Trademark Trial and Appeal Board, or any state trademark administrator or any court. There are no pending infringements, oppositions or cancellations concerning the Marks. There is no federal or state court pending material litigation involving the Marks. We are not required under the ARA to protect your right to use the Marks or to protect you against claims of infringement or unfair competition arising out of your use of the Marks. If you become aware of any apparent infringement or challenge to your use of the Marks, you must notify us immediately. We are not required to take affirmative action if we are notified of an infringement, but have the right to do so, in our sole discretion. We have the right to control any administrative proceedings or litigation involving the Marks. We do not have to participate in your defense and/or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving the Marks, or if the proceeding is resolved unfavorably to you. If we require you to modify or discontinue the use of the Marks, you must comply with our directions within a reasonable time.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the Marks in a manner material to the System. We are not obligated, by the terms of the ARA or otherwise, to protect your right to use the Marks. Nor are we obligated to protect you against claims of infringement or unfair competition arising out of your use of the Marks.

We have no actual knowledge of superior prior rights or infringing uses that could materially affect your use of the Marks in the state where your AR Business may be located.

ITEM 14 PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents are material to the operation of the System.

We claim copyright protection covering various materials used in our business and the development and operation of AR Businesses, including the Operations Manual, software, advertising and promotional materials, and any other materials we give you for your use or for public dissemination. It also includes proprietary information and publications that we own or have acquired under license from a third party and similar materials. We have not registered these materials with the United States Registrar of Copyrights and are not required to do so.

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

Except for the purpose of operating the AR Business under ARA, you may never (during the ARA's term or later) use in any other business or capacity any of the confidential information concerning the operation of a spa or a spa development business that may be communicated to you or that you may learn by virtue of your operation of the AR Business. Confidential information includes the Operations Manual. You must maintain absolute confidentiality of the confidential information during and after the term of the ARA and must implement reasonable procedures to avoid unauthorized use or disclosure of the confidential information.

The ARA provides that all ideas, concepts, techniques, or materials relating to a Spa, whether or not protectable intellectual property and whether created by or for you or your owners, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the System, and works made-for-hire for us. To the extent any item does not qualify as a "work made-for-hire" for us, you and your owners must assign ownership of that item and all related rights to that item, to us and must take whatever action (including signing assignment or other documents) we request to show our ownership or help us obtain intellectual property rights in the item. In the event that any such intellectual property rights do not constitute works made for hire or we are otherwise unable to obtain ownership of such item, then you agree to grant to us an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such intellectual property in our sole discretion.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

You (or your managing owners) agree to personally manage and operate the franchise as your (or their) primary occupation and will not, without our prior written consent, delegate your (or your managing owner's) authority and responsibility for management and operation. You or your managing owner must, at all times, faithfully, honestly and diligently perform and exert your best efforts in performing your obligations under the ARA. Each of your owners must be bound by the terms of the ARA. If you are a corporation or other business entity, each individual owning an interest in the entity,

and their spouse, if applicable, must agree to be bound by the confidentiality and exclusive dealing/non-competition obligations imposed on you under the ARA.

If the Area Representative is a business entity, you must designate and we must approve a managing owner to operate the AR Business. There is no required amount of equity interest that the managing owner must have in the area representation franchise. If you elect to hire a manager or supervisor to operate the area representation franchise and we consent, the employee must successfully complete our initial training program and must be bound to the confidentiality and noncompetition provisions of the ARA. We have the unrestricted right to approve or disapprove of your choice of whom you can hire as manager or supervisor.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to provide those services that we require for your AR Business. Our Operations Manual contains mandatory and suggested specifications, standards, operating procedures and rules that we specify periodically for the operation of the AR Business and information about your other obligations under the ARA and related agreements. The Operations Manual may be modified by us from time to time to reflect changes in our operations.

You may only offer and sell those services and related goods that we have approved. You must offer all services and related goods that we designate as required for all franchisees. We have the right to change the types of authorized services or goods offered by your AR Business. You will be required to add such equipment, at your expense, as may be necessary to equip the AR Business as we may require. You may need to make an additional investment to do so.

There is no restriction on where you may solicit franchisees to open Spas in the AR Territory. The ARA also does not restrict us or our affiliates or agents from soliciting prospective franchisees from within the AR Territory for Spas to be located outside the AR Territory. Other than as described in this Item, we do not impose any restrictions or conditions that limit your access to customers.

ITEM 17

RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

PROVISION	ARTICLE IN FRANCHISE AGREEMENT AND OTHER AGREEMENTS	SUMMARY
a. Length of the franchise term	1.B. of the ARA	Term is 20 years in the ARA

PROVISION	ARTICLE IN FRANCHISE AGREEMENT AND OTHER AGREEMENTS	SUMMARY
b. Renewal or extension of the term	1.B. of the ARA	You have the option to renew the ARA for an additional 10-year term.
c. Requirements for franchisee to renew or extend	1.B. of the ARA	You must give notice, pay a fee of \$1,000 per operating Spa, sign a general release, agree upon a new development schedule, and sign a new ARA, which may have materially different terms and conditions than your original ARA.
d. Termination by franchisee	Not applicable	You may terminate under any grounds permitted by law.
e. Termination by franchisor without cause	Not applicable	Not applicable
f. Termination by franchisor with cause	14 of the ARA	Material, uncured breaches of the ARA.
g. "Cause" defined - curable defaults	14.A(2), (3), (10), (12) and (13) of the ARA	You may cure certain defaults (i.e. failure to comply with the development schedule, submission of required reports) before we will terminate the ARA.
h. "Cause" defined - non-curable defaults	14.A(1), (4)-(9), (11) and (13) of the ARA	Certain default cannot be cured (i.e. you or your owners are convicted or plead or have pleaded guilty to a felony; you disclose Confidential Information, etc.) and will result in termination of the ARA.
i. Franchisee's obligations on termination/nonrenewal	14.E. of the ARA	You must cease using the Marks and any Confidential Information and follow our termination procedures.
j. Assignment of Contract by franchisor	12.A. and 12.B. of the ARA	The ARA is fully transferable by us.
k. "Transfer" by franchisee - defined	12.C. of the ARA	Includes transfer of the ARA and a change in ownership.
l. Franchisor approval of transfer by franchisee	12.C. of the ARA	We have the right to approve all transfers.

PROVISION	ARTICLE IN FRANCHISE AGREEMENT AND OTHER AGREEMENTS	SUMMARY
m. Conditions for franchisor approval of transfer	12.C. of the ARA	The transferee meets our qualifications, signs our then-current ARA which might contain different terms and conditions, and satisfactorily completes training; a transfer fee is paid to us; and you must sign a general release.
n. Franchisor's right of first refusal to acquire franchisee's business	12.C. of the ARA	We have the right of first refusal to purchase your interest in the ARA.
o. Franchisor's option to purchase franchisee's business	Not applicable	Not applicable
p. Death or disability of franchisee	12.D of the ARA	The ARA must be transferred to a third party within 6 months of death or disability.
q. Non-competition covenants during the term of the franchise	13.A. of the ARA	You may not have direct or indirect involvement in a Competitive Business.
r. Non-competition covenants after the franchise is terminated or expires	13.B. of the ARA.	You may not have direct or indirect involvement in a Competitive Business for 24 months within the AR Territory or within 25 miles of any other Spa.
s. Modification of the agreement	20.A. of the ARA	The ARA may not be modified except by written agreement signed by you and us.
t. Integration / merger clause	20.A. of the ARA	Only the terms of the ARA and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and ARA may not be enforceable.
u. Dispute resolution by arbitration or mediation	16 of the ARA	All disputes must be in St. Louis, Missouri, subject to state law. <u>Except for certain disputes involving the Marks or injunctive relief, all disputes must be submitted to mediation. Certain types of disputes must be submitted to arbitration.</u>

PROVISION	ARTICLE IN FRANCHISE AGREEMENT AND OTHER AGREEMENTS	SUMMARY
v. Choice of forum	16 of the ARA	All disputes <u>Any mediation or arbitration must be in St. Louis County, Missouri, and any litigation must be in the United States District Court for the Eastern District of Missouri or in St. Louis County, Missouri (subject to state law.).</u>
w. Choice of law	16 of the ARA	Missouri law applies, (subject to applicable state law.).

ITEM 18 PUBLIC FIGURES

At this time, there are no public figures involved in the sale of this franchise.

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Mark Otter, our President and CEO, at 11 Champion Drive, Fenton, Missouri 63026, telephone no. (636) 600-4056, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1
SYSTEMWIDE OUTLET SUMMARY
FOR YEARS 2015 TO 2017 2016 TO 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015 <u>2016</u>	15	15	0

Company-Owned*	2016 2017	15	15	0
	2017 2018	15	15	0
	2015 2016	0	0	0
	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Total Outlets	2015 2016	15	15	0
	2016	15	15	0
	2017	15	15	0
	2018	15	15	0

* We do not operate any area ~~representative development~~ outlets, but we conduct franchise sales activity as part of the operation of our general business operations.

TABLE 2
TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS
(OTHER THAN THE FRANCHISOR)
FOR YEARS ~~2015 TO 2017~~ 2016 TO 2018

State	Year	Number of Transfers
2015		0
Florida Arizona	2016	0
	2017	0
	2015 2018	0
Florida	2016	0
	2017	0
	2015 2018	0
Illinois	2016	0
	2017	0
	2018	0
Michigan	2016	0
	2017	0
	2018	0
Missouri	2015 2016	0
	2016	0
	2017	2
	2018	0
Mississippi	2015 2016	0
	2016	0
	2017	0
	2018	0

State	Year	Number of Transfers
New Jersey	2015	0
	2016	0
	2017	0
	2018	0
North Carolina	2015	0
	2016	0
	2017	0
	2018	0
South Carolina	2015	0
	2016	0
	2017	0
	2018	0
Virginia	2015	0
	2016	0
	2017	0
	2018	0
Virginia	2015	0
	2016	0
	2017	0
	2018	0
Total	2015	0
	2016	0
	2017	2
	2018	0

TABLE 3
STATUS OF FRANCHISED OUTLETS*
FOR YEARS 2015 TO 2017 2016 TO 2018

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations-Other Reasons	Outlets at End of the Year
Florida	2015	10	0	0	0	0	0	10
	2016	10	0	0	0	0	0	10
	2017	10	0	0	0	0	0	10
	2018	10	0	0	0	0	0	10
Arizona	2016	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations- Other Reasons	Outlets at End of the Year
	2017	1	0	0	0	0	0	1
	20172018	1	0	0	0	0	0	1
2015	2	0	0	0	0	0	2	
Illinois	2016	2	0	0	0	0	0	2
	2017	2	1 [±]	0	0	0	0	3
	20152018	13	0	0	0	0	0	13
Michigan	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
Mississippi	20152016	1	0	0	0	0	0	1
	2016	4	0	0	0	0	0	4
	2017	1	0	0	0	0	0	1
	20152018	71	10	0	01	10	0	70
Missouri	2016	7	0	0	0	0	0	7
	2017	7	0	0	0	0	2 [±]	5
	20152018	15	0	0	0	0	01*	14
New Jersey	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
North Carolina	20152016	1	0	0	0	0	0	1
	20162017	1	0	0	0	0	0	1
	20172018	1	0	0	0	0	0	1
2015	0	0	0	0	0	0	0	
Texas	2016	0	0	0	0	0	0	0
Tennessee	2017	0	10	0	0	0	0	10
Virginia	20152018	10	01	0	0	0	0	1
Texas	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
	2018	0	0	0	0	0	0	0
Virginia	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
	20172018	1	0	0	0	0	0	1

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
2015	15	1	0	0	1	0	15	
Totals	2016	15	0	0	0	0	0	15
	2017	15	2	0	0	0	2	15
	2018	15	2	0	1	0	1	15

* These outlets are listed by the state in which the ~~Area Representative-Developer~~ is located. Exhibit E also identifies the location of the ADA Territory for each outlet.

¥ The Developer for this outlet relocated from Missouri to Arizona. The ADA Territory for this outlet did not change.

± This outlet was part of a transfer from an ~~Area Representative-a Developer~~ located in Missouri to an ~~Area Representative-a Developer~~ located in Illinois.

TABLE 4
STATUS OF COMPANY-OWNED OUTLETS*
FOR YEARS 2015 TO 2017 2016 TO 2018

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
2015	0	0	0	0	0	0	
Totals	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	20172018	0	0	0	0	0	0

* We do not operate any area ~~representative-development~~ outlets, but we conduct franchise sales activity as part of the operation of our general business operations.

TABLE 5
PROJECTED OPENINGS AS OF DECEMBER 31, 2017 2018

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate - Owned Outlets In the Next Fiscal Year
Georgia	0	1	0
Total	0	10	0

Exhibit E lists the names, addresses and telephone numbers of all of our area representative franchisees. Exhibit E also lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every area representative franchisee who had an outlet transferred, terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do

business under the ARA during our most recently completed fiscal year or who has not communicated with us within 10 weeks of the issuance date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

~~Our area representative~~ In certain instances, our area representative franchisees may have not signed confidentiality clauses restricting their ability to speak openly about their experience with us during the last 3 years. However, in some instances, Some former area representative development franchisees sign have also signed provisions restricting their ability to speak about their experience with us. You may wish to speak with current or former Area Representatives area representative franchisees, but be aware that not all such current or former Area Representatives area representative franchisees will be able to communicate with you. There is no trademark-specific franchisee organization associated with the franchise system that must be disclosed in this Item 20.

ITEM 21 FINANCIAL STATEMENTS

Attached to this disclosure document as **Exhibit C** are our audited financial statements as of December 31, 2018, 2017, and 2016 ~~and 2015~~.

ITEM 22 CONTRACTS

The following agreements are attached to this franchise disclosure document:

Exhibit A -	Area Representative Agreement
Exhibit G -	General Release

ITEM 23 RECEIPTS

See **Exhibit H**

EXHIBIT A
TO THE DISCLOSURE DOCUMENT
AREA REPRESENTATIVE AGREEMENT

**MASSAGELUXE®
AREA REPRESENTATIVE AGREEMENT**

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AGREEMENT TO COMPLY WITH CERTAIN UNDERTAKINGS OF FRANCHISEE

APPENDIX A AR TERRITORY

APPENDIX B

QUESTIONNAIRE

MASSAGELUXE®
AREA REPRESENTATIVE AGREEMENT

THIS AREA REPRESENTATIVE AGREEMENT (the "Agreement") is made as of this _____ day of _____, 20____ (the "Effective Date") between MASSAGE LUXE INTERNATIONAL, LLC, a Missouri limited liability company, with an address at 11 Champion Drive, Fenton, Missouri 63026 ("Franchisor") and _____, a _____, with an address at _____ ("Area Representative").

BACKGROUND

A. Through the expenditure of money, time and effort, Franchisor has developed a distinct and proprietary method business format for the operation of business offering the Services, including but not limited to the methods, procedures, signs, designs, layouts, equipment, standards and specifications and the MassageLuXe Marks, as the same may be modified, amended or replaced from time to time hereafter the distinguishing characteristics of which include proprietary operating procedures and standards and specifications for products and services, as amended from time to time in Franchisor's sole discretion ("System").

B. "MassageLuXe Marks" means such service marks, trademarks, trade dress, trade names, logos and commercial symbols, as may presently exist, or which may be modified, changed, or acquired by Franchisor or its affiliates, in connection with the operation of a Spa. Marks currently include the "MassageLuXe Marks" and "ML and design."

C. "Services" means the massage therapy, facial and waxing services, together with related services, products, merchandise and accessories as may presently exist or which may be modified, changed or acquired by Franchisor or its affiliates.

D. Franchisor offers franchises for the right to operate a business at approved locations that features the Services and operates under the MassageLuXe Marks according to the System (a "Spa", or "Spas"), and grants area representatives the right to solicit, market and service franchisees in specific geographic territories.

E. Area Representative desires to obtain the exclusive right to develop the territory and Franchisor is willing to grant Area Representative such rights on the terms and conditions hereunder.

AGREEMENT

NOW, THEREFORE, the parties, in consideration of the promises, undertakings and commitments of each party to the other party set forth herein, hereby mutually agree as follows:

1. GRANT

A. Franchisor hereby grants to Area Representative the exclusive right and license, in accordance with the terms and conditions of this Agreement, to do the following only within the geographic area as stated and described in Appendix A (the "AR Territory"): (i) solicit prospective franchisees for Spas; (ii) perform certain site acquisition and development services for franchisees; and (iii) provide training, support and other services to franchisees. For purposes of this Agreement, the term

"Area Representative Spa(s)" shall refer to Spas owned and operated by Area Representative, and the term "Franchised Spa(s)" shall refer to Spas owned and operated by franchisees other than the Area Representative. So long as Area Representative is not in default of any provision of this Agreement, neither Franchisor nor any of its affiliates will, during the term hereof, grant anyone else area representation rights for Spas within the AR Territory. Area Representative acknowledges and agrees that the rights granted in this Agreement are limited to the AR Territory. In the event that a potential franchisee who is interested in operating a Spa within the AR Territory contacts Franchisor, Franchisor shall refer said potential franchisee to Area Representative.

B. The term of this Agreement shall be for a term of 20 years commencing on the Effective Date unless sooner terminated in accordance with the terms of this Agreement. Area Representative shall have the option to renew this Agreement for 1 additional term of 10 years if (i) Area Representative has substantially complied with material terms of this Agreement during the term of this Agreement; (ii) Area Representative pays a renewal fee of \$1,000 per operating Spa in the AR Territory; (iii) Area Representative and Franchisor execute the then current form of Area Representative Agreement used by Franchisor in the state in which the AR Territory is located; (iv) Area Representative and all of its owners execute general releases, in form satisfactory to Franchisor, of any and all claims against Franchisor and its members, managers, officers, directors, employees, agents, successors and assigns; and (v) Franchisor and Area Representative mutually agree on a new ~~minimum~~ development schedule for the AR Territory for the renewal term. Area Representative must notify Franchisor in writing no more than 180 days and no less than 90 days prior to the expiration of the term of its desire to renew this Agreement for such additional 10 year term.

C. Each Spa shall operate according to the terms of an individual single unit franchise agreement between Franchisor and Area Representative, or Franchisor and a franchisee (the "Franchise Agreement"). The Franchise Agreement shall be Franchisor's then current form of franchise agreement, except that, (i) there shall be no initial franchise fee charged under the Franchise Agreement between Franchisor and Area Representative for the Model Spa (hereinafter defined); and (ii) the initial franchise fee under any other Franchise Agreement between Franchisor and Area Representative for an Area Representative Spa in the AR Territory shall be 50% of the then current initial franchise fee. Area Representative shall be subject to the same procedures for site approval and the same standards of quality control for each Area Representative Spa as set forth in the Franchise Agreement governing such Area Representative Spa.

D. This Agreement is not a Franchise Agreement for the license to operate Spas under the System and MassageLuXe Marks, and Area Representative shall have no right to use Franchisor's System and MassageLuXe Marks in any manner by virtue of this Agreement, other than as necessary to recruit franchisees and to train and service franchisees as contemplated under this Agreement within the AR Territory. This Agreement does not give Area Representative any right to license others to operate Spas under the System

E. POS SOFTWARE.

(a) Franchisor has been licensed the right to grant sublicenses to, and hereby grant Area Representative a nonexclusive, nontransferable, non assignable and non sublicensable license to, use the proprietary computer software program licensed or such other software as Franchisor may designate, including any modifications, additions or enhancements to such software ("POS Software") during the term of this Agreement and subject to the limitations on use and other requirements set forth in this Article 1.E. Area Representative understands that Franchisor has the right to change the POS Software at any time in its sole discretion. In such event, Area Representative may be required to change

the licensed software it uses at its sole cost and expense and may be required to sign new documentation to license the right to use the new software.

(b) Area Representative and its employees will use the POS Software for the operation of the area representation business in accordance with the terms of this Agreement and the terms, conditions and procedures set forth in the Operations Manual or otherwise disclosed to Area Representative, which may change from time to time. Franchisor may require Area Representative to modify, enhance and/or replace all or any part of the POS Software at any time and at its sole expense.

(c) Franchisor or its affiliates may host some portion or all the POS Software on its and/or their corporate servers as an ASP provider. In the event Franchisor or its affiliates provide any hosting services, it or they reserve the right to do so according to terms and conditions it or they may establish, including limiting Franchisor's or its affiliates' liability for the security of data transmitted over the Internet and establishing limitations on data storage size and the periodic purging of Area Representative's data required as a result thereof.

(d) Area Representative acknowledges that the only rights in the POS Software granted by Franchisor to Area Representative are those specified in this Article 1.E. Area Representative has no rights other than those granted by this Article 1.E to use the POS Software or any enhancements thereto or documentation relating to either of the foregoing and any adaptations or modifications thereof. Area Representative agrees to make no claim of any ownership interest in the intellectual property rights, including copyright in the POS Software and any adaptations or modifications thereof.

(e) Area Representative acknowledges that the POS Software, in both object code and source code, is secret and proprietary and that its use and disclosure is restricted by the provisions of this Agreement. Area Representative shall not (i) make any copies of POS Software (except for one copy of the POS Software in object code for archival purposes only); (ii) shall not attempt to disassemble or decompile the POS Software object code or otherwise attempt to discern the POS Software source code; (iii) access or allow the access of the POS Software (or any addition to or modification of the POS Software) other than by Area Representative's authorized employees; (iv) sell, lease, assign, sublicense or otherwise transfer Area Representative's license to use the POS Software other than in connection with a transfer of this Agreement; (v) alter, maintain, enhance or otherwise modify the POS Software; (vi) decompile, disassemble, or otherwise analyze for reverse engineering purposes, the POS Software; (vii) permit any parent, subsidiary, affiliate or third party to use the POS Software; (viii) alter, amend, modify or mask any copyright, trademark, proprietary or other notice affixed to or incorporated in the POS Software; or (ix) circumvent or otherwise interfere with any security measures. Franchisor or its affiliates may use in connection with any hosting services it or they may provide.

(f) Documentation that accompanies the POS Software, if any, is provided solely to support Area Representative's authorized use of the POS Software. Area Representative may not use, copy, modify or distribute the documentation, or any copy, adaptation, transcription, summary or merged portion thereof.

(g) Area Representative shall promptly disclose to Franchisor all ideas and suggestions for modification or enhancements of the POS Software, or any component thereof, and Franchisor and all its affiliates and franchisees shall have the right to use, develop and license such ideas and suggestions in any manner, in Franchisor's sole discretion, and without any obligation to Area Representative therefore.

(h) In the event Area Representative's use of the POS Software is enjoined as a result of a claim by a third party of patent or copyright infringement or violation of proprietary rights, Franchisor shall, in its sole discretion, either (A) procure for Area Representative the right to continue to use the POS Software as contemplated hereunder, or (B) replace the POS Software or modify it such that there is no infringement of the third party's rights; and such action by Franchisor shall be Area Representative's sole and exclusive remedy against Franchisor and its affiliates in such event.

(i) Franchisor does not represent or warrant to Area Representative and it expressly disclaims any warranty that the POS Software is error-free or that the operation and use of the POS Software by Area Representative will be uninterrupted or error-free. Franchisor shall have no obligation or liability for any expense or loss incurred by Area Representative arising from its use of the POS Software.

(j) FRANCHISOR MAKES NO WARRANTIES, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THE POS SOFTWARE OR ANY PORTION THEREOF, INCLUDING ANY PROGRAM DOCUMENTATION OR OTHER MATERIAL FURNISHED HEREUNDER OR ANY COMPONENT THEREOF, AND THERE ARE EXPRESSLY EXCLUDED ALL WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT THERETO. FRANCHISOR SHALL HAVE NO LIABILITY FOR CONSEQUENTIAL, EXEMPLARY, INCIDENTAL OR PUNITIVE DAMAGES.

(k) Area Representative shall bear all costs of purchase, installation, operation, maintenance, and upgrading the POS Software. In connection therewith, Area Representative will pay Franchisor the POS System Software Fee described in Article 3 below.

(l) At all times, Franchisor shall be granted "administrator" rights to the POS Software licensed hereunder, permitting Franchisor the ability to remotely access such POS Software, and all information contained therein. Franchisor may use the information contained in Area Representative's copy of the POS Software for any purpose it deems appropriate, including disseminating such information to its creditors and potential franchisees; provided, no social security number, birth date or home address information contained therein, if any, shall be disclosed without Area Representative's prior written consent, unless required or permitted by law.

2. FEES

A. In consideration of the rights granted under this Agreement, Area Representative shall pay to Franchisor an initial fee in the amount of \$200,000 (the "AR Fee"). The AR Fee is due deemed fully earned upon execution of this Agreement and is nonrefundable.

B. In addition to the AR Fee, Area Representative must pay Franchisor a POS System Software Fee for the POS Software license granted to it in Article 1.E. This licensed software is in addition to the POS System Software license Area Representative must buy from Franchisor for its Model Spa or any other Area Representative Spas it opens (which fee will be paid pursuant to the applicable Franchise Agreement for such Spa). The POS System Software Fee Area Representative will owe under this Agreement is \$500. Area Representative must pay this fee when invoiced by Franchisor.

C. In addition to the AR Fee and POS System Software Fee, until Area Representative has fulfilled ~~at least 80% all~~ of its development obligations under the Mandatory Development Schedule, it agrees to pay Franchisor \$1,500 per month for the lead generation services described in Section 5.E. (the "Lead Generation Fee"). Area Representative's payment of the Lead Generation Fee will be made via

electronic funds transfer ("EFT") or such other manner which Franchisor may designate from time to time. Franchisor also has the right, at its election, to withhold the Lead Generation Fee from the amounts owed to Area Representative under Section 7.A.7. The Lead Generation Fee is not refundable. Area Representative must comply with the procedures specified in the Operations Manual or as otherwise communicated for such EFT or other program and will perform the acts and sign the documents, including authorization forms that Franchisor, its bank, and Area Representative's bank may require to accomplish payment by EFT or such other method Franchisor designates, including authorizations for Franchisor to initiate debit entries and/or credit correction entries to a designated checking or savings account. In addition, Area Representative will pay all costs associated with utilizing an EFT or other payment program. Failure to maintain adequate funds in the designated account or Area Representative's failure to pay all amounts when due will be considered a breach of this Agreement and grounds for termination.

3. MANDATORY DEVELOPMENT SCHEDULE

A. Immediately following the execution of this Agreement, Area Representative shall commence a franchise sales, marketing and development program for the AR Territory in order to develop, open and operate and service ~~no less than~~ 21 Spas within the AR Territory according to the Mandatory Development Schedule below:

DEVELOPMENT PERIOD		CUMULATIVE NUMBER OF SPAS OPEN AND OPERATING
Beginning Date	Ending Date	

B. Spas that are opened, whether by Area Representative or by a franchisee, shall be counted towards Area Representative's cumulative number of Spas required pursuant to this Agreement. The sale of any Spas in excess of the ~~minimum~~ number required in any time period shall be credited to the subsequent time period. If Area Representative fails to meet the Mandatory Development Schedule, the Area Representative shall have a 90 day period to cure the default in the Mandatory Development Schedule.

C. Notwithstanding the foregoing, should Area Representative be unable to meet the Mandatory Development Schedule solely as the result of Force Majeure (including, but not limited to strikes, material shortages, fires, floods, earthquakes, and other acts of God, by force of law, or political or currency problems, which result in the inability of Area Representative to meet the Mandatory Development Schedule and which Area Representative could not by the exercise of due diligence have avoided) the Mandatory Development Schedule periods shall be extended by the amount of time during which such Force Majeure shall exist.

D. Franchisor and Area Representative hereby acknowledge and agree that the Mandatory

Development Schedule contained herein is a fair and reasonable time frame for the development of Spas within the AR Territory and is an accurate reflection of market demand without over saturation of Franchisor's proprietary services offered under the System.

E. Area Representative shall enter into a Franchise Agreement with Franchisor and open and operate at least 1 Area Representative Spa within the AR Territory to be used as a model spa and training center (the "Model Spa") in order to train and service franchisees within the AR Territory. Area Representative acknowledges that Franchisor may offer various Spa design formats. Area Representative shall develop and open the Model Spa in accordance with the highest design standards specified by Franchisor. Area Representative shall successfully complete initial training and commence operations of the Model Spa in the time frame set forth in the Franchise Agreement for the Model Spa and shall continuously operate the Model Spa or another Area Representative Spa to be used as a model and training center at all times during the term of this Agreement.

F. Area Representative acknowledges that all Spas must be developed and operated in accordance with Franchisor's standards. Therefore, Area Representative agrees and recognizes that Franchisor may refuse to execute a Franchise Agreement with a potential franchisee for Franchised Spas or with Area Representative for Area Representative Spas, if Franchisor believes, in its reasonable judgment, that the potential franchisee or Area Representative does not have sufficient financial resources or other ability (including, but not limited to, experience, character, skill, aptitude, attitude, and business acumen sufficient to operate multiple locations) to properly develop and operate the proposed Spa. Franchisor's approval, however, shall not be deemed a warranty of a Spa's potential or of the franchisee's or Area Representative's financial or other ability to develop or operate the proposed Spa. Area Representative acknowledges and agrees that it is in Franchisor's sole discretion whether to grant a franchise or approve a franchisee or Area Representative to open within the AR Territory, however, Franchisor's approval will not unreasonably be withheld.

4. RIGHTS RESERVED BY FRANCHISOR

Franchisor and ~~it~~its affiliates reserve all rights not specifically granted to Area Representative pursuant to this Agreement, including but not limited to the right to do any of the following:

A. Establish, and grant development rights for Spas anywhere outside the AR Territory and to establish Spas within transportation facilities within and outside of the AR Territory;

B. Establish, and grant to franchisees the right to establish, businesses within the AR Territory or outside of the AR Territory under trademarks or service marks different than the MassageLuXe Marks or systems different from the System;

C. Sell services or ancillary products, whether or not using the Marks, inside or outside the AR Territory through distribution channels other than Spas, including, but not limited to catalogs distributed within the AR Territory, infomercials, toll free telephone numbers, mail order, the Internet, print, direct marketing media and any other non-spa outlets inside or outside the AR Territory, and Franchisor may promote services and products bearing the Marks at special events, conventions, athletic contests, etc., through temporary locations and mobile units (both inside and outside the AR Territory); and

D. To purchase, be purchased, merge, acquire, be acquired or affiliate with a competitor or any other business regardless of the location of the competitor or business, and to operate, franchise or license such businesses as Spas under the System or Marks or under other proprietary marks, regardless

of the location of such businesses, whether such businesses are in the AR Territory or outside the AR Territory.

~~Area Representative understands and acknowledges that although Area Representative is granted the right to develop Spas within the AR Territory, Franchisor and its affiliates are permitted to establish or grant to a franchisee or area representative the right to establish businesses within the Territory which primarily offer facial and waxing services and skin care treatments and related services, products, merchandise and accessories, and that such businesses shall be permitted to also operate, in a limited number of rooms (e.g., one or two) Services offered under the MassageLuXe Marks; provided, however, that such other businesses shall not be predominately identified by the MassageLuXe Marks, but merely the massage therapy services, related services, products, merchandised and accessories offered by such businesses will be identified by the MassageLuXe Marks.~~

5. DUTIES OF FRANCHISOR

A. Franchisor will provide a special training program to Area Representative and its approved representatives. Such training may be conducted at Franchisor's corporate offices, at an operating Spa and/or other locations that Franchisor may designate. Area Representative must complete this training to Franchisor's satisfaction within 30 days of the Effective Date. Once Area Representative has satisfactorily completed this initial training program, Area Representative is considered open for business. Area Representative will be responsible for all travel and living expenses that Area Representative or its employees incur in connection with training. Franchisor may require Area Representative to attend periodic refresher training courses at such times and locations that Franchisor designates, and Franchisor may charge reasonable fees for such courses.

B. Franchisor will loan to Area Representative 1 copy of its Operations Manual, as amended from time to time, which shall include standards and specifications for equipment, inventory and supplies. The Operations Manual, which may be in a format determined by Franchisor (i.e., in writing, on ~~CD~~ ~~Rem~~ CD-ROM, via electronic media through a secure website, etc.) is confidential and remains the property of Franchisor. Area Representative will operate its business in strict compliance with those operational systems, procedures, policies, methods and requirements found in the Operations Manual which are designated as mandatory and in any supplemental bulletins and notices, revisions, modifications, or amendments thereto, all of which are a part of the Operations Manual. Area Representative must always treat in a confidential manner the Operations Manual, any other manuals Franchisor creates or approves for use with the Spa or the business hereunder, and the information contained in the Operations Manual. Area Representative may not copy, duplicate, record, or otherwise reproduce all or any part of the Operations Manual and the related materials, (except for the parts of the Operations Manual that are meant for Area Representative to copy, which Franchisor will clearly mark), nor may Area Representative otherwise let any unauthorized person have access to these materials. The Operations Manual will always be Franchisor's sole property. Franchisor may periodically revise the contents of the Operations Manual, and Area Representative must make corresponding revisions to its copy of the Operations Manual and comply with each new or changed standard. If there is ever a dispute as to the contents of the Operations Manual, Franchisor's master copy of the Operations Manual (maintained at its home office) will be controlling.

C. Franchisor will make available continuing advisory assistance in the operation of business hereunder, rendered in such manner and available from time to time, as Franchisor may deem appropriate. If Franchisor sends its representatives to the AR Territory to provide assistance, Franchisor reserves the right to charge a reasonable fee for this type of assistance.

D. Franchisor will prepare and keep current the necessary Franchise Disclosure Document relative to the offer and sale of Spas in the AR Territory in which Area Representative is selling franchises pursuant to the terms of this Agreement. Franchisor shall also take the necessary steps to file or register Franchisor's Franchise Disclosure Document (the "FDD") in the AR Territory if such registration is required in order to sell franchises. Franchisor reserves the right to amend or modify the FDD at any time and from time to time. Franchisor shall provide Area Representative with any changes to Franchisor's disclosure documents and other agreements on a timely basis and, upon request, provide Area Representative with confirmation that the information contained in any written materials, agreements, or documents being used by Area Representative is true, correct, and not misleading except for information specifically relating to disclosures regarding Area Representative. If Area Representative notifies Franchisor of an error in any information in Franchisor's disclosure documents, Franchisor shall have a reasonable period of time to attempt to correct any deficiencies, misrepresentations or omissions in such information.

E. So long as Area Representative is required to pay the Lead Generation Fee, Franchisor will maintain a centralized telephone number and/or website or other Internet presence for the purpose of advertising the sale of franchises. Franchisor shall use the Lead Generation Fee to finance this advertisement, along with the cost of search engine optimization and other methods Franchisor determines prudent to advertise the sale of franchises generally. Franchisor is not required to market the sale of franchises in any particular region and Area Representative acknowledges that the advertising to be conducted by Franchisor will not be designed to target any particular geographic area, including the AR Territory. Franchisor makes no representations or warranties that the advertising and other activities conducted by it under this Section 5.E. will result in any franchise leads in the AR Territory, and Area Representative acknowledges that it is its responsibility to solicit franchisees and develop, open and operate Spas in the AR Territory in accordance with the Mandatory Development Schedule.

6. DUTIES OF AREA REPRESENTATIVE

A. Solicitation and Qualification of Prospective Franchisees.

1. Franchisor will have the sole right to formulate and make policy decisions concerning every aspect of sales, promotions, advertising and other programs. Area Representative shall use its best efforts to solicit potential franchisees to purchase a franchise for a Spa. Area Representative will make no financial performance representations, promises, representations or commitments to any prospective franchisee other than as stated in the then current FDD, and will only make offers and presentations pertaining directly or indirectly to the Spa in strict compliance with the laws of the United States, and any other applicable laws and regulations. Area Representative will cause all sales efforts made by it or under its direction to be courteous and dignified, and in a professional, ethical and responsible manner.

2. Franchisor encourages Area Representative to create and develop an advertising and promotional program for the purpose of recruiting prospective franchisees within the AR Territory. In the event Area Representative does create or develop such programs, Area Representative shall submit to Franchisor for prior approval samples of all sales, promotional, and advertising and other materials, which relate to recruiting new franchisees. Franchisor will notify Area Representative of its approval of the proposed materials and programs within 15 days after receipt thereof. If Franchisor does not approve such material and programs within such period, such material shall be deemed disapproved and Area Representative shall not use such materials in any manner. Franchisor shall use reasonable efforts to respond within said 15 day period and shall not unreasonably withhold or delay approval. Area

Representative shall be responsible for any state or local filings necessary of such materials.

3. Before Area Representative solicits any prospective franchisee, Area Representative shall take reasonable steps to confirm that the information contained in any written materials, agreements, and other documents related to the offer or sale of franchises is true, correct and not misleading at the time of such offer or sale and that the offer or sale of such franchise will not at that time be contrary to or in violation of any applicable state law related to the registration of the franchise offering.

4. If Area Representative's activities pursuant to this Agreement require the preparation, amendment, registration or filing of Area Representative's own franchise disclosure document, Area Representative must prepare, amend, register or file such franchise disclosure documents before soliciting any prospective franchisees. Area Representative's own franchise disclosure document must be approved by Franchisor before Area Representative begins operations to solicit prospective franchisees. Area Representative shall, upon request from Franchisor, provide all information reasonably required by Franchisor to prepare the Franchisor's franchise disclosure document and other documents necessary for the offering of franchises in the AR Territory and execute all documents required for registration and/or disclosure to offer Spas in the AR Territory. Area Representative shall be responsible for all costs associated with preparation of its franchise disclosure document and registration in connection with Area Representative's activities pursuant to this Agreement.

5. In recruiting prospective franchisees, Area Representative shall make every effort to locate persons of good standing, professional competence, experience, reputation, ability and financial responsibility. Area Representative must submit to Franchisor written and completed applications of all qualified prospective franchisees together with such additional information and comments, including credit and background information, as specified by Franchisor on items provided by Franchisor. Franchisor will notify Area Representative and the prospective franchisee within 10 days of its acceptance or rejection of such application. Franchisor's determination, for which it will have complete discretion, will be conclusive, final and binding. Area Representative shall forward to Franchisor the original of all disclosure receipts immediately upon its receipt from a prospective franchisee. Area Representative shall retain a copy of such disclosure receipts for its reference.

~~———— In the event Franchisor assists Area Representative and provides sales and marketing services to recruit prospective franchisees in the AR Territory (other than Franchisor's lead generation services described in Section 5.E.), Area Representative shall pay to Franchisor a consulting fee of \$5,000 for each Franchised Spa in which Franchisor so assists in the selling of the Franchised Spa. This consulting fee shall be withheld by Franchisor from the fees that are otherwise due Area Representative under Section 7.A below.~~

B. Assistance to Franchisees.

1. Within 30 days of Franchisor's notification of approval of a prospective franchisee, Franchisor and the franchisee shall execute Franchisor's then current franchise agreement. If such agreement is not executed within 30 days, or such longer period as Franchisor may permit, or if any condition of approval specified by Franchisor is not satisfied, Franchisor may withdraw, suspend or condition its approval of the franchisee. Area Representative shall ensure that all formal site proposal packages submitted by a franchisee have been prepared and assembled in accordance with Franchisor's requirements and on prescribed forms and includes any property descriptions, lease forms, traffic pattern reports, market feasibility studies and other specifications as Franchisor may reasonably require.

2. Area Representative shall develop a training program for franchisees. As Franchisor directs, Area Representative shall provide such training to franchisees within the AR Territory in accordance with Franchisor's standards and specifications. Such training program shall include at least 10 days and approximately 3 to 5 days of on-site follow-up training to assist the franchisee with the grand opening of their Spa.

3. Area Representative shall ensure that each Spa within the AR Territory is developed and operated solely in compliance with Franchisor's requirements and specifications as set forth in the applicable Franchise Agreement and the Operations Manual. Area Representative shall ensure such compliance through inspections and secret shoppers and/or other methods as Franchisor may reasonably require.

4. Area Representative, or his duly authorized representative, must provide supervision to all Spas within the AR Territory. Such supervision shall include, but not be limited to, on-site supervision during the period of time prior to the opening of the Spa; general assistance, advice and consultation to franchisees with regard to entering into negotiations and agreements within the AR Territory for a franchisee's services; consenting to proposed leases and contracts; consultation and assistance with regard to grand opening of the Spa; providing supplemental training and assistance of all material aspects of the operation of a Spa, as needed, in accordance with Franchisor's requirements; periodic and regular telephone calls or visits to monitor operations of the Spas, continuous advisory services to franchisees, ongoing training and updates for all Spas within the AR Territory. Area Representative agrees to perform such duties pursuant to Franchisor's requirements herein described and in accordance with the System, the Operations Manual or otherwise in writing, all of which may be changed from time to time by Franchisor.

5. In the event a problem arising out of the operation of a Spa within the AR Territory is disclosed by a periodic report submitted to Area Representative or Franchisor by the franchisee, or by an inspection conducted by Area Representative or Franchisor of the Spas within the AR Territory, Area Representative shall promptly address the problem with the respective franchisee and assist the franchisee in resolving the problem. Area Representative must provide each Spa within the AR Territory with such assistance in connection with correcting such problem(s) at such Spas as is reasonably determined to be necessary by Franchisor.

6. Area Representative must make contact at least once every 30 days with all Franchised Spas within the AR Territory for the purposes of consultation, assistance and guidance of franchisees and managers of each Franchised Spa, and Area Representative or its representatives will prepare, for benefit of both Area Representative and Franchisor, written reports regarding these regular contacts outlining any suggested changes or improvement in the operations of the Franchised Spa and detailing any defaults in such operations which become evident as a result of any such contact, and a copy of each such written report must be provided to both the franchisee and Franchisor. Area Representative must also visit each Franchised Spa within the AR Territory at least once every year for purposes of providing consultation, assistance and guidance. The Area Representative or its representatives must prepare written reports of this visit and details regarding suggestions for improvement or any defaults. A copy of each such written report must be provided to both the franchisee and Franchisor.

7. Not less than once every 12 months, Area Representative will arrange for and conduct regional seminars within the AR Territory for all Spas within the AR Territory. Such seminars shall include training and general advisory assistance for the Spas within the AR Territory and Area Representative shall notify Franchisor in writing at least 4 weeks prior to conducting such regional seminars. Upon the request of Area Representative, Franchisor will provide at least 1 person as an

instructor at each regional seminar. In the event Area Representative requests that Franchisor provide an instructor at the regional seminar, Area Representative shall pay to Franchisor its then current Per Day Fee for each instructor provided by Franchisor plus the cost of travel, lodging, meals and other costs reasonably incurred for each instructor provided by Franchisor.

8. Area Representative, or his appointed representative, must attend any Area Representative seminars or training session held by Franchisor. Area Representative shall be responsible for travel, meal and lodging and other related expenses to such training sessions.

C. Operating Standards.

1. Area Representative shall secure and maintain in force all required licenses, permits, and certificates relating to Area Representative's activities under this Agreement, and operate in full compliance with all applicable laws, ordinances, and regulations. Area Representative acknowledges being advised that many jurisdictions have enacted laws concerning the advertising, sale, renewal, and termination of, and continuing relationship between parties to a franchise agreement, including without limitation, laws concerning disclosure requirements. Area Representative agrees promptly to become aware of, and to comply with, all such laws and legal requirements in force in the AR Territory and to utilize only the then current FDD that Franchisor has approved for use in the AR Territory.

2. Not less than once every 6 months, Area Representative must conduct management and financial reviews with each Franchised Spa. As a part of these reviews, an evaluation form will be included to determine if Area Representative is satisfactorily performing its duties and obligations under the terms of this Agreement. Area Representative will remit the management and financial review form, together with the Area Representative evaluations to Franchisor within 10 days after its receipt of such reviews.

3. Area Representative must keep accurate records concerning all transactions and communications between Area Representative, Franchisor and/or franchisees relating to the operation of any Spa in the AR Territory, and Franchisor's duly authorized representative shall have the right at all reasonable hours, and without prior notice, to inspect any or all of Area Representative's area representation business, and to examine all such records, and shall have full and free access thereto for said purpose and for the purpose of making extracts therefrom. All such records shall be available for at least 3 years after the termination or expiration of this Agreement for any reason whatsoever. Area Representative shall cooperate with the agents or representatives of Franchisor making any such inspection.

4. Area Representative shall furnish to Franchisor, upon Franchisor's request, Area Representative's books and records including, but not limited to, copies of federal and state income tax and sales returns and profit and loss statements of Area Representative.

5. Area Representative shall notify Franchisor in writing within 5 days after a material change has occurred, including but not limited to the commencement of any action, suit, arbitration, proceeding or investigation, or the issuance of any order, writ, injunction, award, or decree, by any court, agency or other governmental organization which names Area Representative or any of its owners or otherwise concerns the operation or financial condition of the Area Representative, the area representation business granted hereunder, any Area Representative Spa or any franchisee located within the AR Territory.

6. In the event Area Representative fails to perform any of these duties or any other obligations imposed on it by the terms of this Agreement, after being given a 30 day period of time to resolve, correct, or otherwise come into compliance with any terms of this Agreement, Franchisor has the right but not the obligation to perform said duties or obligations and Area Representative hereby agrees to pay Franchisor its then current Per Day Fee for each representative of Franchisor for its services in connection therewith, together with any expenses incurred by Franchisor in so performing, including travel, meals and lodging expenses. Any portion of any royalty payments or other payments owed by Franchisor to Area Representative hereunder may be offset by any amounts owed by Area Representative to Franchisor if Franchisor is required to so perform any of Area Representative's duties or obligations under the terms of this Agreement.

7. REMUNERATION OF AREA REPRESENTATIVE

A. During the term of this Agreement, Franchisor shall remit to Area Representative 50% of the initial franchise fee collected upon the sale of each Franchised Spa within the ~~AR-ARA~~ Territory sold by Area Representative (less 50% of amounts paid by Franchisor to commissioned sales agents, if any, who participate in locating the transferee, and less the consulting fee payable to Franchisor, if any, under Section 6.A.5 the sale of the Franchised Spa). Area Representative shall have no claim to any portion of the initial franchise fee collected for the sale of any Franchised Spa within the ~~AR-ARA~~ Territory if Area Representative provided no franchise sales services with respect to the sale of such Franchised Spa. In addition, during the term of this Agreement, Franchisor shall remit to Area Representative 50% of any transfer fee resulting from a transfer of a Franchised Spa within the ~~AR-ARA~~ Territory (less 50% of amounts paid by Franchisor to commissioned sales agents, if any, who participate in locating the transferee, and less the consulting fee payable to Franchisor, if any, under Section 6.A.5); provided that Area Representative has provided such Franchised Spa assistance under Section 6.B of this Agreement.

B. During the term of this Agreement, Franchisor shall remit to Area Representative ~~40% of all royalty fees actually received by Franchisor by each Spa within the AR-ARA Territory~~ an amount equal to 2% of the Gross Revenue (as "Gross Revenue" is defined in the applicable Franchise Agreements) from each Spa located within the Territory which was sold by Area Representative; provided that Franchisor has actually received the royalty fees due to it from such Spa. Area Representative shall have no claim to any portion of the royalty fees collected from any Franchised Spa within the ~~AR-ARA~~ Territory if Area Representative provided no franchise sales services with respect to the sale of such Franchised Spa and if Area Representative fails to provide the ongoing supervisory and support services required to be provided to such Franchised Spa by Area Representative hereunder.

C. Area Representative expressly acknowledges and agrees that its rights to receive the amounts contemplated by this Article 7 are conditioned on Area Representative's full, prompt and complete performance of its duties and obligations under the terms of this Agreement. Franchisor's payments to Area Representative shall be based on amounts actually collected from franchisees, not on payments accrued, due, or owed. In the event Franchisor returns all or part of the initial franchise fee or royalty fees, whether voluntarily or under legal obligation, Franchisor may deduct the portion of the amount returned to the franchisee in the same proportion as Area Representative shared in the initial franchise fee or royalty fees from any future amounts owed to Area Representative hereunder. Any payments received from a franchisee shall first be applied to any past due indebtedness of that franchisee for royalty fees, advertising fund contributions, purchases from Franchisor or its affiliates, or any other indebtedness of that franchisee to Franchisor or its affiliates in Franchisor's discretion. To the extent that such payments are applied to a franchisee's overdue royalty payments, Area Representative shall be entitled to its pro rata share of such payments, less its pro rata share of the costs of collection paid to third parties. Franchisor may set off any amounts Area Representative owes Franchisor against any amounts

Franchisor might owe Area Representative under this Agreement, including without limitation any Lead Generation Fee. Area Representative acknowledges and agrees that it shall not set off any amounts owed to Franchisor against any amounts owed to Area Representative by Franchisor under this Agreement.

D. Area Representative will not be entitled to any fees so long as Area Representative is not in compliance with this Agreement. Area Representative will not be entitled to any fees from franchise sales outside of Area Representative's AR Territory that are a result of Area Representative's referral or introduction of a prospective franchisee to Franchisor.

E. Any amounts due to Area Representative pursuant to this Agreement, including Area Representative's share of franchise fees, royalties, and transfer fees, shall be paid to Area Representative by check made payable to Area Representative on the later to occur of (i) the 25th day of the month following the month of receipt by Franchisor (fees paid into escrow shall not be deemed received by Franchisor until any such fees are actually remitted to Franchisor); or (ii) the next day which is not a legal holiday in the State of Missouri if such 25th day of the month is a legal holiday in the State of Missouri; provided, that no portion of the initial franchise fee collected by Franchisor shall be payable until the applicable Franchise Agreement has been executed; and provided further, that ~~Area Representative~~ Franchisor may elect to have any sums due to Area Representative pursuant to this Article 7 electronically deposited into Area Representative's designated bank account rather than payment by check. If ~~Area Representative~~ Franchisor elects to have amounts electronically deposited, Area Representative shall be solely responsible for any expenses incurred in connection with such electronic depositing of funds, the deposit shall be initiated by Franchisor on the 25th day of each month, and Area Representative shall be responsible for timely informing Franchisor of any changes in Area Representative's account information. In such event, Franchisor has no liability other than electronically depositing the funds in the account designated by Area Representative.

8. INDEMNIFICATION

Area Representative, to the extent permitted by law, agrees to indemnify, exculpate, defend and hold Franchisor, its affiliates and respective members, managers, shareholders, directors, officers, employees, agents, successors and assignees (the "Indemnified Parties") harmless from and against and to reimburse any one or more of the Indemnified Parties for all claims, obligations and damages described in this Article, any and all taxes and any and all claims and liabilities directly or indirectly arising out of Area Representative's performance of its obligations under this Agreement, Area Representative's breach of this Agreement; or Area Representative's non-compliance or alleged non-compliance with any law, ordinance, rule or regulation. For purposes of this indemnification, "claims" includes all obligations, damages (actual, consequential or otherwise) and costs incurred in the defense of any claim against any of the Indemnified Parties, including, without limitation, reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other expenses of litigation, arbitration or alternative dispute resolution and travel and living expenses. Each of the Indemnified Parties shall have the right to defend any such claim against it at Area Representative's expense. This indemnity will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement. An Indemnified Party need not seek recovery from an insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against Area Representative. Area Representative agrees and acknowledges that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from Area Representative.

9. INSURANCE

A. Area Representative shall maintain at all times during the term of this Agreement such insurance that may be required by law in connection with its business as Area Representative or as provided in the Operations Manual, and must further maintain errors and omissions coverage and comprehensive general liability coverage.

B. In connection with all areas of insurance coverage required by this Agreement, Area Representative must submit as proof of such insurance a fully paid insurance policy naming Franchisor and any other parties designated by Franchisor as additional insured parties, to Franchisor for Franchisor's prior approval before commencing the business contemplated hereunder. Any proposed changes in the insurance policies must be submitted to Franchisor for its prior approval. Area Representative must furnish to Franchisor a copy of the then prevailing insurance policies with assurances that the specified insurance is in full force and effect; that the insurance covers Area Representative, Franchisor and other designated parties as their respective interest may appear, and that said insurance policies will not be canceled or modified by the insurer without written notice to Franchisor at least 30 days prior to the proposed cancellation or modification including, but not limited to, products liability, property damage, personal injury, owned and non-owned automobile and contractual liability, with a combined single limit of at least \$1,000,000 or such larger amount as Franchisor may reasonably require.

C. Nothing herein shall modify the insurance required to be maintained by Area Representative for the Model Spa and any other Area Representative Spas as required under the individual Franchise Agreement(s) pertaining thereto.

10. MASSAGELUXE MARKS.

A. Area Representative's right to use the MassageLuXe Marks is derived solely from this Agreement and limited to Area Representative's operation of its business pursuant to and in compliance with this Agreement. Area Representative's unauthorized use of the MassageLuXe Marks will be a breach of this Agreement and an infringement of Franchisor's rights in and to the MassageLuXe Marks. Area Representative acknowledges and agrees that its usage of the MassageLuXe Marks and any goodwill established by such use will be exclusively for Franchisor's benefit and that this Agreement does not confer any goodwill or other interests in the MassageLuXe Marks upon Area Representative (other than the right to operate Area Representative's area representation business in compliance with this Agreement). All provisions of this Agreement applicable to the MassageLuXe Marks apply to any additional proprietary trademarks and service marks and commercial symbols Franchisor authorizes Area Representative to use. Area Representative will not represent in any manner that it has any ownership in the MassageLuXe Marks or the right to use the MassageLuXe Marks except as provided in this Agreement.

B. Area Representative may not use any MassageLuXe Marks as part of any corporate or legal business name or Internet domain name or Internet email address or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Area Representative hereunder), or in any modified form, nor may Area Representative use any MassageLuXe Marks in connection with the performance or sale of any unauthorized services or products or in any other manner Franchisor has not expressly authorized in writing. No MassageLuXe Marks may be used in any advertising concerning the transfer, sale, or other disposition of the Area Representative's business or an ownership interest in Area Representative.

C. Franchisor has established an Internet website that provides information about the Spa locations. Franchisor has sole discretion and control over the website (including timing, design, contents and continuation). At Area Representative's expense, Franchisor will include at the website an interior

page containing information about Area Representative. Franchisor may require Area Representative to prepare, at its expense, using a template that Franchisor provides, all or a portion of one or more interior pages on Franchisor's website concerning the area representative relationship granted hereunder. All such information will be subject to Franchisor's prior written approval prior to posting. Except for this interior page, Area Representative agrees it will not maintain a presence on the Internet for its area representation business other than in accordance with an advertising program approved by Franchisor.

D. Area Representative agrees to notify Franchisor immediately of any apparent infringement or challenge to Area Representative's use of any MassageLuXe Marks, or of any claim by any person of any rights in any MassageLuXe Marks, and agrees not to communicate with any person other than Franchisor, its attorneys and Area Representative's attorneys in connection with any such infringement, challenge or claim. Franchisor has sole discretion to take such action as Franchisor deems appropriate and the right to control exclusively any litigation, United States Patent and Trademark Office ("USPTO") proceeding or any other administrative proceeding arising out of any such infringement, challenge or claim or otherwise relating to any MassageLuXe Marks. Area Representative agrees to sign any and all instruments and documents, render such assistance and do such acts and things as, in the opinion of Franchisor's attorneys, may be necessary or advisable to protect and maintain Franchisor's interests in any litigation or USPTO proceeding or other proceeding or otherwise to protect and maintain Franchisor's interests in the MassageLuXe Marks.

E. If it becomes advisable at any time in Franchisor's sole discretion for Franchisor and/or Area Representative to modify or discontinue the use of any Mark and/or use one or more additional or substitute trademarks or service marks, Area Representative, at Area Representative's sole cost and expense, agrees to comply with Franchisor's directions within a reasonable time after receiving notice thereof. Franchisor will not be obligated to reimburse Area Representative for any loss of revenue attributable to any modified or discontinued MassageLuXe Marks or for any expenditures Area Representative makes to promote a modified or substitute trademark or service mark.

11. CONFIDENTIAL INFORMATION

A. Franchisor possesses (and will continue to develop and acquire), and may disclose to Area Representative, certain confidential information relating to the development and operation of a Spa (the "Confidential Information"), which may include (without limitation): (i) the System; (ii) Operations Manual; (iii) location selection criteria; (iv) methods, formats, specifications, standards, systems, procedures, any other proprietary materials, the sales and marketing techniques used, and knowledge of and experience in developing and operating Spas; (v) marketing and advertising programs for Spas; (vi) knowledge of specifications for and suppliers of certain fixtures, furnishings, equipment, products, materials and supplies used in Spas; (vii) knowledge of the operating results and financial performance of Spas; and (viii) any other information designated confidential or proprietary by Franchisor.

B. Area Representative acknowledges and agrees that it does not acquire any interest in Confidential Information, other than the right to utilize certain Confidential Information disclosed to Area Representative in accordance with this Agreement, and that the use or duplication of any Confidential Information in any other business by Area Representative will constitute an unfair method of competition and a violation of this Agreement. Area Representative further acknowledges and agrees that Confidential Information is proprietary, includes Franchisor's trade secrets and is disclosed to Area Representative solely on the condition that Area Representative agrees, and it does hereby agree, that Area Representative during and after the term of this Agreement: (i) will not use Confidential Information in any other business or capacity; (ii) will maintain the absolute confidentiality and not use or disclose, other than pursuant to this Agreement; (iii) will not make unauthorized copies of any portion of

Confidential Information disclosed via electronic medium or in written or other tangible form; (iv) will adopt and implement all reasonable procedures, including those that Franchisor prescribes from time to time to prevent unauthorized use or disclosure of Confidential Information, including, without limitation, restrictions on disclosure thereof to Area Representative's personnel and franchisees needing to know such Confidential Information in order to develop and operate Spas; and (v) requiring those having access to Confidential Information to sign confidentiality and non-disclosure agreements. Franchisor has the right to prescribe the form of agreement that Area Representative uses and to be a third party beneficiary of such agreement with independent enforcement rights; and (vi) will not sell, trade or otherwise profit in any way from the Confidential Information, except as approved by Franchisor.

C. All ideas, concepts, techniques or materials relating to a Spa, whether or not constituting protectable intellectual property, and whether created by or on behalf of Area Representative or its owners, will be promptly disclosed to Franchisor, deemed to be Franchisor's sole and exclusive property and part of the System and deemed to be works made for hire for Franchisor. Area Representative and its owners agree to sign whatever assignment or other documents Franchisor may request from time to time to evidence Franchisor's ownership or to assist Franchisor in securing intellectual property rights in such ideas, concepts, techniques or materials. In the event that any such intellectual property rights do not constitute works made for hire or Franchisor is otherwise unable to obtain ownership thereof, then Area Representative agrees to grant to Franchisor an irrevocable, world-wide, exclusive, royalty-free license, with the right to sublicense such intellectual property in its sole discretion.

D. "Confidential Information" does not include information, knowledge or know-how that is or becomes generally known in the massage and personal health industry or that Area Representative knew from previous experience before Franchisor provided it to Area Representative (directly or indirectly). If Franchisor includes any information in Confidential Information, anyone who claims that such information is not Confidential Information must prove that exclusion in this paragraph is fulfilled. Nothing in this Section 11 shall prohibit Area Representative from disclosing Confidential Information as required by order of a court of competent jurisdiction, provided that Area Representative shall, to the extent permitted to do so, give prompt notice of such request to Franchisor in order to allow Franchisor to apply for a protective order.

12. TRANSFERABILITY

A. Franchisor shall have the right, but not the obligation, to cause a subsidiary or affiliate of Franchisor to perform any or all of its obligations and exercise any or all of its rights under this Agreement and under any Franchise Agreement, and to require Area Representative to perform any or all of its obligations hereunder, in favor of such subsidiary or affiliate, by delivery of written notice thereof to Area Representative.

B. Franchisor has the right to assign this Agreement, and all of its rights and privileges hereunder, to any person, firm, corporation or other entity. Specifically, and without limitation to the foregoing, Area Representative expressly affirms and agrees that Franchisor may sell its assets, its MassageLuXe Marks or its System outright to a third party; may go public; may engage in a private placement of some or all of its securities; may merge, acquire other corporations, or be acquired by another corporation; may undertake a refinancing, recapitalization, leveraged ~~buy-out~~ buyout or other economic or financial restructuring; and, with regard to any or all of the above sales, assignments and dispositions, Area Representative expressly and specifically waives any claims, demands or damages arising from or related to the loss of said MassageLuXe Marks (or any variation thereof) and/or the loss of association with or identification of Massage Luxe International, LLC as Franchisor hereunder. Nothing contained in this Agreement requires Franchisor to remain in the massage business or to offer the

same products and services, whether or not bearing the MassageLuXe Marks, in the event that Franchisor exercises its rights hereunder to assign its rights in this Agreement.

C. Area Representative understands and acknowledges that the rights and duties set forth in this Agreement are personal to Area Representative and are granted in reliance upon the individual or collective character, skill, aptitude and business and financial capacity of Area Representative or its principals. Area Representative has represented to Franchisor that Area Representative is entering into this Agreement with the intention of complying with its terms and conditions and not for the purpose of resale of its rights and obligations hereunder.

In the event Area Representative (or any of its owners) desires to sell any interest in Area Representative or its interest, right or license under this Agreement, it must submit to Franchisor, in writing, the terms and conditions of any proposed sale or transfer, including the name or names of person or entity desiring to purchase such interest, rights or license. Franchisor will have 30 days from the date of the receipt of any notice of a bona fide offer to sell, to purchase the interest upon the same terms and conditions as set forth in the offer to sell to the bona fide offeree. The right of first refusal granted hereunder to Franchisor may be exercised in connection with any offer to sell which may be made by Area Representative during the entire term of this Agreement and any renewal thereof. In the event that Franchisor elects not to purchase the interest, rights and licenses granted to Area Representative, the remaining provisions of this Article 12 shall apply.

Neither Area Representative nor any member, partner or shareholder or other owner thereof may, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage or otherwise encumber any interest in this Agreement or in Area Representative without the prior written consent of Franchisor. Franchisor will not unreasonably withhold or delay its consent to the transfer of any interest in Area Representative or this Agreement; provided, however, that prior to the time of the transfer, Franchisor may, in its sole discretion require that:

(a) The transferee demonstrates to Franchisor's satisfaction that it meets Franchisor's requirements that existed under this Agreement and have the adequate financial resources and capital to manage the AR Territory; and transferee must submit to Franchisor an application in the form prescribed by Franchisor;

(b) At transferee's expense and upon such other terms and conditions as Franchisor may reasonably require, transferee or transferee's manager must complete to the satisfaction of Franchisor any training course then in effect for Area Representatives;

(c) Except in the case of a transfer to a corporation, partnership or limited liability company formed solely for the convenience of ownership, a transfer fee equal to 10% of the gross purchase price or \$25,000, whichever is greater, shall be paid to Franchisor by Area Representative;

(d) Area Representative and its owners shall execute a general release, in a form prescribed by Franchisor, of all claims against Franchisor, its affiliates and their members, managers, shareholders, partners, officers, directors, agents, and employees. Notwithstanding such release, Area Representative shall remain obligated under those provisions of this Agreement that expressly extend beyond the term hereof; and

(e) Transferee's execution of Franchisor's then-current Area Representative Agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and the term of which shall be the remaining term of this Agreement.

D. Upon the death or permanent disability Area Representative or, if Area Representative is a limited liability company, corporation or partnership, the death or permanent disability of the owner of a controlling interest in Area Representative, Area Representative's or such owner's executor, administrator, conservator, guardian or other personal representative must transfer Area Representative's interest in this Agreement or such owner's interest in Area Representative to a third party. Such disposition of this Agreement or the interest in Area Representative (including, without limitation, transfer by bequest or inheritance) must be completed within a reasonable time, not to exceed 6 months from the date of death or permanent disability, and will be subject to all of the terms and conditions applicable to transfers contained in this Article. A failure to transfer Area Representative's interest in this Agreement or the ownership interest in Area Representative within this period of time constitutes a breach of this Agreement. For purposes hereof, the term "permanent disability" means a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Area Representative or an owner of a controlling interest in Area Representative from conducting day-to-day business for a period of 3 months from the onset of such disability, impairment or condition.

13. EXCLUSIVE DEALINGS

A. During the term of this Agreement, neither Area Representative, any of its owners (nor any of Area Representative's owners' spouses, children or other relatives by blood or marriage) will (i) have any direct or indirect interest as a disclosed or beneficial owner in a Competitive Business (defined below), wherever located; or (ii) perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located.

B. Upon the expiration or earlier termination of this Agreement or transfer of this Agreement or an interest in Area Representative, Area Representative and its owners agree that, for a period of 24 months commencing on the effective date of termination, expiration, transfer or the date on which a person restricted by this Article begins to comply with this Article, whichever is later, neither Area Representative nor any of its owners will have any direct or indirect interest (i.e., through a spouse or child) as a disclosed or beneficial owner, investor, partner, director, officer, employee in a management or sales capacity, consultant, representative or agent or in any other capacity in any Competitive Business (as defined below) located or operating (i) within the AR Territory; (ii) within the AR Territory of any other System developer; or (iii) within 25 miles of any Spa in operation or under construction on the effective date of the assignment, termination or expiration.

C. The term "Competitive Business" as used in this Agreement means any business operating, or granting franchises or licenses to others to operate, any business which derives more than 10% of its gross revenue from providing services similar to the Services (other than a Spa operated under a franchise agreement with Franchisor).

D. Each of the foregoing covenants will be construed as severable and independent and will be interpreted and applied consistent with the requirements of reasonableness and equity. In the event a court of competent jurisdiction will determine the business, time, or geographic limitations contained in this Agreement are illegal, invalid or unenforceable, then, the court so holding will reduce the limitation necessary to render such restriction enforceable by the court. Franchisor will have the right to reduce the scope of any covenant contained in Articles 11 and 13, without Area Representative's consent, effective immediately upon receipt by Area Representative of Franchisor's written notice; and Area Representative will comply with any reduced covenant. In addition to any other remedies available at law or equity, Franchisor will have the right to injunctive relief for Area Representative's violation or threatened violation of any covenant described in Articles 11 and 13 without the obligation to post a bond.

E. The terms of this non-compete are assignable by Franchisor and shall inure to the benefit of Franchisor, as well as its successors and assigns. In the event of any assignment, sale, merger or change in ownership or structure of Franchisor, the resulting entity shall step into the place of Franchisor, without any additional consent of or notice to the Area Representative, as if the term Franchisor were defined in this Agreement to include such entity.

14. DEFAULT AND TERMINATION

A. Franchisor may terminate this Agreement, effective upon written notice of termination to Area Representative, if:

1. Area Representative fails to successfully complete Area Representative training to Franchisor's satisfaction;
2. Area Representative is adjudicated bankrupt, becomes insolvent, suffers a permanent or temporary court-appointed receivership of substantially all of Area Representative's property, makes a general assignment for the benefit of creditors or suffers the filing of a voluntary or involuntary bankruptcy petition which is not dismissed within 30 days after filing;
3. Area Representative fails to comply with the Mandatory Development Schedule set forth in Article 3 herein and the default is not cured within 90 days;
4. Area Representative or any of its owners makes or attempts to make a transfer in violation of Article 12 above;
5. Area Representative or any of its owners has made any material misrepresentation or omission in connection with acquiring the rights under this Agreement or in operating Area Representative's business;
6. Area Representative, any of its owners or other individuals who sign an Agreement to Comply with Certain Undertakings of Franchisee ("Guarantors") is or has been convicted by a trial court of, or plead or have pleaded guilty or no contest to, or commit or be alleged to have committed, a felony or any crime involving moral turpitude;
7. Area Representative, any of its owners or other Guarantors engage in any dishonest or unethical conduct that may adversely affect the reputation of the Franchisor, other Spas, or the goodwill associated with the MassageLuXe Marks;
8. Area Representative, any of its owners or other Guarantors violate the "Providing a SAFE Spa Experience for Clients and Staff" or any other rules dealing with sexual misconduct in the Operations Manual;
9. In the event of Area Representative's death or permanent disability or the death or permanent disability of the owner of a controlling interest in Area Representative, this Agreement or such owner's interest in Area Representative is not assigned as herein required;
10. Area Representative, any of its owners ~~for or~~ other Guarantors make any unauthorized use of the MassageLuXe Marks or use or disclosure of any Confidential Information or use, duplicate or disclose any portion of the Operations Manual in violation of this Agreement;

11. Area Representative fails to make payments of any amounts due to Franchisor, whether under this Agreement or a Franchise Agreement with Franchisor, and does not correct such failure within 7 days after written notice of such failure is delivered to Area Representative;

12. Area Representative fails on 3 or more separate occasions within any period of 12 consecutive months to submit when due reports or other data, information or supporting records, or otherwise to comply with this Agreement; whether or not such failures to comply were corrected after written notice of such failure was delivered to Area Representative;

13. Area Representative or any of its owners fails to comply with any other provision of this Agreement and does not correct such failure within 30 days after written notice of such failure to comply is delivered to Area Representative;

14. Area Representative voluntarily or otherwise abandons the area representation business granted hereunder; or

15. Area Representative or any of its affiliates is in default of any Franchise Agreement or other agreement Area Representative may have with Franchisor or an affiliate of Franchisor, and such default is not cured within the timeframe provided for therein.

B. The events of default and grounds for termination described in this Article 14 will be in addition to any other grounds for termination and remedies contained elsewhere in this Agreement or in any individual Franchise Agreement executed between Franchisor and Area Representative.

C. Notwithstanding anything to the contrary contained in this Article 14, if applicable law or regulation limits Franchisor's rights to terminate or requires longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Franchisor shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, hearing or dispute relating to this Agreement or the termination of this Agreement.

D. Upon termination of this Agreement, Area Representative shall have no further rights to receive any portion of any remuneration described in Article 7 above, and Franchisor will have complete and exclusive rights to the franchise and royalty fees collected from each Spa within the AR Territory. Further, Area Representative will have no further exclusive rights to develop Spas within the AR Territory, and Franchisor may offer the right to develop the AR Territory to a third party or may directly develop the AR Territory itself. No right or remedy herein conferred upon or reserved to Franchisor is exclusive of any other right or remedy provided or permitted by law or equity. If Area Representative at the time of termination or expiration of this Agreement is operating one or more Area Representative Spas pursuant to the terms of individual Franchise Agreements entered into with Franchisor, then all of the rights and obligations under such individual Franchise Agreements will be applicable in accordance with their terms.

E. Upon the termination, for any reason, expiration of this Agreement or transfer of this Agreement or an interest in Area Representative, Area Representative:

1. agrees to not directly or indirectly at any time or in any manner identify itself or any business as a current or former area representative for Franchisor, use any MassageLuXe Marks, any derivation or colorable imitation thereof or other indicia of a Spa in any manner or for any purpose or utilize for any purpose any trade name, trademark or service mark or other commercial symbol that

indicates or suggests a connection or association with Franchisor;

2. agrees to take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to Area Representative's use of any MassageLuXe Marks;

3. agrees to deliver to Franchisor within 30 days of termination or expiration all signs, advertising, marketing and promotional materials, forms, packaging and other materials containing any Mark or otherwise identifying or relating to Area Representative's business as an area representative for Franchisor or a Spa;

4. agrees to immediately cease using any of Franchisor's Confidential Information in any business or otherwise, and to return to Franchisor all copies of the Operations Manual and any other confidential materials loaned to or in the possession of Area Representative;

5. agrees to promptly notify or take such other action required by Franchisor to direct the appropriate Internet search engines, telephone companies and all telephone directory listing agencies of the termination or expiration of Area Representative's right to use any domain names, websites, telephone numbers and any regular, classified or other telephone directory listings associated with any MassageLuXe Marks and authorize transfer of same to or at the direction of Franchisor. Area Representative acknowledges that as between Franchisor and Area Representative, Franchisor has the sole right to and interest in all domain names, social media accounts (e.g., LinkedIn, Facebook or Twitter), websites, telephone numbers and directory listings associated with any of the MassageLuXe Marks. Area Representative authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as its attorney in fact, coupled with an interest, to direct the appropriate Internet search engines, telephone companies and all listing agencies to transfer same to Franchisor or at its direction, should Area Representative fail or refuse to do so, and the appropriate Internet search engine, telephone companies and all listing agencies may accept such direction of this Agreement or Area Representative's letter of direction held by Franchisor as conclusive of the exclusive rights of Franchisor in such domain names, websites, search engines, telephone number and directory listings and its authority to direct their transfer;

6. agrees to immediately cease providing services to all the franchisees in the AR Territory and forfeit all rights it has to the future revenues and fees. Further, Franchisee shall provide Area Representative with all franchisee lists, files, records, inspection reports, Operation Manuals, documents, bills, and insurance materials and not retain any copies of such materials;

7. agrees to pay all amounts due to Franchisor and its affiliates, if any; and

8. agrees to furnish Franchisor, within 30 days, with evidence satisfactory to Franchisor of Area Representative's compliance with the foregoing obligations.

15. RELATIONSHIP OF THE PARTIES

A. The appointment of Area Representative pursuant to this Agreement does not make him an agent, partner, legal representative or employee of Franchisor, and the parties expressly agree that Area Representative is an independent contractor. Area Representative does not have the right to bind Franchisor, to transact any business or make any promises or representations on behalf of Franchisor, except as herein expressly provided. Area Representative will at all times represent himself only as an

independent contractor who has been appointed and licensed as an area representative. Neither this Agreement nor the relationship between the parties hereto constitutes a partnership or a joint venture between Area Representative and Franchisor. It is understood, acknowledged and agreed by the parties hereto that they do not intend to create by this Agreement any type of franchise relationship. The relationship that exists between the parties is one of contracting for the services of Area Representative as an independent representative for franchise sales, training and support and this Agreement is strictly a method to develop a program to sell and coordinate services for Franchised Spas and is not a master franchise, subfranchise, area development agreement, or any other type of franchise relationship of any kind or nature.

B. Subject to any provisions contained in this Agreement to the contrary, the relationship of Franchisor and Area Representative with respect to the ownership and operation by Area Representative of Area Representative Spas within the AR Territory, including the Model Spa, will be governed by the individual Franchise Agreement(s) executed in connection therewith.

16. VENUE AND JURISDICTION

16. DISPUTE RESOLUTION

A. MEDIATION

1. Before any party may bring an action in court for any controversy, dispute or claim between Area Representative and Franchisor arising from this Agreement or the franchise relationship set forth in this Agreement, the parties must first have a conference with each other to try to resolve the dispute. If this fails to bring about a resolution, the dispute will first be submitted to non-binding mediation (the "Mediation") in St. Louis, Missouri, unless the parties mutually agree to another location. The Mediation shall be conducted in accordance with then-current AAA mediation rules (the "AAA Mediation Rules") except to the extent the AAA Mediation Rules differ from the terms of this Agreement, in which event the terms of this Agreement shall be applied. Notwithstanding the foregoing, the mediation does not have to be conducted under the AAA. Area Representative and Franchisor will select the mediator. If the parties cannot agree on the selection of a mediator, the mediation shall be conducted through the AAA who will make the selection of mediator using their rules and guidelines. The cost of the Mediation, including the mediator's fee and expenses, shall be paid by Area Representative. All negotiations and mediation proceedings (including without limitation, discovery conducted therein, as well as all statements and settlement offers made by either party or the mediator in connection with the Mediation) shall be strictly confidential, shall be considered as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and state rules of evidence, and shall not be admissible or otherwise used in connection with any court or arbitration proceeding for any purpose. The mediator may not be called as a witness in any court or arbitration proceeding for any purpose. If the parties, after a good faith effort to settle the dispute using Mediation, are unable to reach settlement, Area Representative and Franchisor agree that the dispute will be resolved according to the Articles below. Failure to submit the dispute to Mediation prior to commencing any litigation or arbitration proceeding shall be grounds for dismissal of the litigation or arbitration proceedings.

2. Notwithstanding the foregoing, the obligation of this Article 16.A.1 to mediate will not be binding with respect to claims brought by Franchisor relating to its trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties, which may be

brought by Franchisor in accordance with Article 16.B.

B. LITIGATION.

1. Except as otherwise provided in this Agreement, all controversies, disputes or claims between Area Representative and Franchisor arising from this Agreement or the franchise relationship set forth in this Agreement shall be filed in the Federal District Court for Eastern District of Missouri when the grounds set forth in 28 U.S.C. § 1332 are present. Both parties and each guarantor of this Agreement irrevocably submit to the jurisdiction of this court and waive any objection to the application of Missouri law or to the jurisdiction or venue in this court. In the event that the above-referenced federal court does not have jurisdiction over the dispute, the parties shall submit to binding arbitration as provided below.

2. Notwithstanding the foregoing, any claims Franchisor has relating to its trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by Franchisor for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the status quo or prevent irreparable injury pending resolution of the actual dispute between the parties may also be brought by Franchisor in state courts in St. Louis County, Missouri. Area Representative agrees to submit to the jurisdiction of the state courts in St. Louis County, Missouri.

C. ARBITRATION.

1. In the event that the federal court described above does not have subject matter jurisdiction over the dispute, the parties, subject to all other provisions above, will submit the dispute to binding arbitration conducted in St. Louis, Missouri (unless the parties mutually agree otherwise). The arbitration proceeding will be conducted in accordance with the then current commercial arbitration rules of the American Arbitration Association ("AAA Rules"), except to the extent the AAA Rules differ from the terms of this Agreement, in which event the terms of this Agreement will apply. Notwithstanding the foregoing, the arbitration does not have to be conducted under the AAA. The arbitrator must be mutually selected by the parties and must have at least 5 years of substantial experience in franchise law. Each party will be limited to 25 document requests, 15 interrogatories and 2 depositions unless otherwise agreed to between the parties. For purposes of this Article, if any dispute that names, involves or includes Franchisor, its respective affiliates, officers, directors, agents, brokers or employees, such persons or entities shall also be included in and made party to the arbitration proceeding to the extent such parties consent to proceeding forward in arbitration.

2. The arbitrator will have the right to award or include in his award any relief which he deems proper in the circumstances, including money damages (with interest on unpaid amounts from date due), specific performance, and attorneys' fees and costs; however, the arbitrator will not be allowed to award or include in his award any punitive, exemplary, or consequential damages, to which the parties waive any right. The arbitrator, and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability or enforceability of this Article, including but not limited to any claim that all or any part of this Article is void or voidable. The award and decision of the arbitrator will be conclusive and binding upon all parties, and judgment upon the award may be entered in any court of competent jurisdiction; however, the arbitrator may not under any circumstances: (1) stay the effectiveness of any pending termination of this Agreement; or (2) make any award which extends, modified or suspends any lawful term of this Agreement. Each party waives any right to contest the validity or enforceability of the award of an arbitrator under this Article except to the extent permitted by applicable law. The arbitrator must submit a reasoned award and this award must be

consistent with the terms of this Agreement. If the arbitrator's award is not reasoned or not consistent with the terms of this Agreement, then notwithstanding the foregoing, Franchisor may appeal the arbitration award in Federal or State Court. An arbitration award or decision entered in any other case (whether or not Franchisor was a party) will not be binding on Franchisor in any other dispute, will have no precedential value and cannot be used as evidence in any other proceeding.

3. The arbitrator will apply the provisions of any applicable statute of limitations. In connection with any arbitration proceeding, Area Representative and Franchisor will submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding as the claim to which it relates. Any of these compulsory claims which are not submitted or filed in the same proceeding in which they relate will be barred. This provision will continue in full force and effect subsequent to and notwithstanding the transfer of this Agreement, or the termination or expiration of the term of this Agreement. Except as provided in Article 16.C.1 above, the arbitration will be conducted on an individual, not a class-wide basis. None of the parties to the arbitration will be entitled to consolidation of the arbitration proceedings with the proceedings of any third party, nor will the arbitrator or any court be empowered to order a consolidation of proceedings with any third party.

4. Notwithstanding the foregoing, the obligation of this Article 16.C to arbitrate will not be binding with respect to claims brought by Franchisor relating to its trademarks, service marks, patents, or copyrights, including the Marks; claims relating to any lease or sublease of any real property between the parties or their affiliated entities; or requests by either party for temporary restraining orders, preliminary injunctions, permanent injunctions or other proceedings in a court of competent jurisdiction to obtain interim or permanent relief when deemed necessary by such court to preserve the *status quo* or prevent irreparable injury pending resolution by arbitration of the actual dispute between the parties, which may be brought by Franchisor in accordance with Article 16.B.

D. DISPUTE RESOLUTION FEE. In the event that Area Representative or its guarantors have not complied with the provisions in this Article 16, Area Representative shall reimburse Franchisor for all of Franchisor's expenses incurred in curing Area Representative's breach (including, without limitation, Franchisor's attorneys' fees and costs related to dismissing and responding to any improperly filed claim) and pay Franchisor a Dispute Resolution Fee of \$50,000 ("Dispute Resolution Fee"). Area Representative acknowledges and agrees that Franchisor will be damaged by such breach. Area Representative agrees that a precise calculation of the full extent of the damages that Franchisor will incur from the breach of the Dispute Resolution provisions of this Agreement are difficult to determine and all parties desire certainty in this matter and agree that the Dispute Resolution Fee provided herein is reasonable and constitute liquidated damages and not a penalty. Franchisor has the right to collect these amounts in addition to exercising any and all other rights it may have for non-compliance under this Agreement.

E. A CHOICE OF LAW. Area Representative acknowledges that this Agreement was accepted in the State of Missouri. Area Representative acknowledges that it has and will continue to develop a substantial and continuing relationship with Franchisor at Franchisor's principal offices in Missouri, where Franchisor's decision-making authority is vested and franchise operations are conducted and supervised. Except to the extent that this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 (Lanham Act, 115 U.S.C. 1051), this Agreement will be governed, to the extent permissible, by the laws of the State of Missouri without regard to principles of conflicts of law; provided, however, that the Missouri Franchises Act (Rev. Stats. Mo. §407.400 to §407.420) shall apply only if its independent jurisdictional requirements are met. If, however, any provision of this Agreement would not be enforceable under the laws of Missouri, and if the ~~AR-ADA~~ Territory is located outside of

Missouri and the provision would be enforceable under the laws of the State in which the ~~AR-ADA~~ Territory is located, then the provision in question (and only that provision) will be interpreted and construed under the laws of the State where the ~~AR-ADA~~ Territory is located. The Federal Arbitration Act governs all matters relating to arbitration. If applicable law provides Area Representative with additional rights as to notices, opportunities to cure or otherwise than as are provided by this Agreement as to termination, renewal, transfers or otherwise, Franchisor shall comply with the requirements of such laws to the extent they exceed Franchisor's obligations under this Agreement. ~~B. Franchisor may institute any action arising out of or relating to this Agreement in any state or federal court of general jurisdiction in the State of Missouri, and Area Representative and each guarantor of this Agreement irrevocably submits to the jurisdiction of these courts and waive any objection to the application of Missouri law or to the jurisdiction or venue in these Missouri courts. If Area Representative institutes any action arising out of or relating to this Agreement, that action must be brought in the Circuit Court of St. Louis County, Missouri or in the United States District Court for the Eastern District of Missouri, and Area Representative irrevocably submits to the jurisdiction of such court and waives any objection. Area Representative may have to either the jurisdiction or venue of such court.~~ If a state regulator requires an amendment to this Agreement, the amendment is attached to this Agreement. Franchisor will not, however, be precluded from contesting the validity, enforceability, or applicability of such regulator's required amendment in any action relating to this Agreement or to its rescission or termination. The parties hereto recognize, and any mediator-, arbitrator or judge is affirmatively advised, that certain provisions of this Agreement describe Franchisor's right to take (or refrain from taking) certain actions in the exercise of Franchisor's business judgment based on Franchisor's assessment of the overall best interests of the System and/or franchise network. Where such discretion has been exercised, and is supported by Franchisor's business judgment, neither a mediator-, an arbitrator nor a judge shall substitute his or her judgment for the judgment so exercised by Franchisor.

17. LIMITATION OF LEGAL ACTIONS

A. EXCEPT WITH RESPECT TO AREA REPRESENTATIVE'S OBLIGATIONS REGARDING THE MASSAGELUXE MARKS AND CONFIDENTIAL INFORMATION, FRANCHISOR AND AREA REPRESENTATIVE (AND AREA REPRESENTATIVE'S OWNERS) EACH WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR PROSPECTIVE PROFITS OR SPECIAL, INDIRECT, PUNITIVE OR CONSEQUENTIAL DAMAGES FOR ANY CONDUCT ARISING OUT OF THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH AREA REPRESENTATIVE.

B. THE PARTIES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER OF THEM RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP OF THE PARTIES.

C. ANY DISAGREEMENT BETWEEN AREA REPRESENTATIVE (AND AREA REPRESENTATIVE'S GUARANTORS AND OWNERS) AND FRANCHISOR (AND FRANCHISOR'S AFFILIATES AND OWNERS) WILL BE CONSIDERED UNIQUE AS TO ITS FACTS AND MUST NOT BE BROUGHT AS A CLASS ACTION AND AREA REPRESENTATIVE (AND AREA REPRESENTATIVE'S GUARANTORS AND OWNERS) WAIVE ANY RIGHT TO PROCEED AGAINST FRANCHISOR (AND FRANCHISOR'S AFFILIATES, OWNERS, MEMBERS, MANAGERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SUCCESSORS AND ASSIGNS) BY WAY OF CLASS ACTION, OR BY WAY OF A MULTI-PLAINTIFF, CONSOLIDATED OR COLLECTIVE ACTION.

D. AREA REPRESENTATIVE WILL BE BARRED FROM BRINGING ANY AND ALL

CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR FRANCHISOR'S RELATIONSHIP WITH AREA REPRESENTATIVE, UNLESS A JUDICIAL PROCEEDING IS COMMENCED WITHIN 1 YEAR FROM THE DATE ON WHICH AREA REPRESENTATIVE KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THAT CLAIM.

E. FRANCHISOR'S MAXIMUM AGGREGATE LIABILITY AND THE MAXIMUM AGGREGATE LIABILITY OF ANY OF ITS OFFICERS, OWNERS, DIRECTORS, MEMBERS, MANAGERS, EMPLOYEES, AFFILIATES, PARENTS OR SUBSIDIARIES RELATED TO ANY AND ALL CLAIMS RELATING TO OR ARISING FROM THIS AGREEMENT OR THE FRANCHISE RELATIONSHIP SET FORTH IN THIS AGREEMENT SHALL BE COLLECTIVELY LIMITED TO THE AMOUNT AREA REPRESENTATIVE PAID TO FRANCHISOR WITHIN THE PRIOR 12 MONTHS IMMEDIATELY BEFORE WRITTEN NOTICE OF ANY PROPER CLAIM IS RECEIVED BY FRANCHISOR.

18. CHANGES AND MODIFICATIONS

A. Franchisor reserves and will have the sole right to make changes in the Operations Manual, the System and the MassageLuXe Marks at any time and without prior notice to Area Representative. Area Representative must promptly alter any signs, products, business materials or related items, at its sole cost and expense, upon written receipt of notice of such change or modification in order to conform to the Franchisor's revised specifications.

B. Area Representative understands and agrees that due to changes in competitive circumstances, presently unforeseen changes in the needs of customers, and/or presently unforeseen technological innovations, Franchisor's System must not remain static, in order that it best serve the interests of Franchisor, Area Representative and the System. Accordingly, Area Representative expressly understands and agrees that Franchisor may from time to time change the components of the System, including but not limited to, altering the programs, services, methods, standards, forms, policies and procedures of that System; adding to, deleting from or modifying those programs, products and services which the Spas are authorized to offer; and changing, improving or modifying the MassageLuXe Marks. Subject to the other provisions of this Agreement, Area Representative expressly agrees to abide by any such modifications, changes, additions, deletions and alterations, at its sole cost and expense.

19. NOTICES

All written notices and reports permitted or required to be delivered by the provisions of this Agreement will be deemed so delivered (i) at the time delivered by hand; (ii) 1 business day after being placed in the hands of a commercial courier service for next business day delivery, provided there is evidence of receipt; or (iii) 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid; and must be addressed to the party to be notified at the address set forth above unless and until a different address has been designated by written notice to the other party.

20. MISCELLANEOUS

A. This Agreement contains the entire agreement between the parties concerning the subject matter hereof; no promises, inducements or representations not contained in this Agreement have been made, nor shall any be of any force or effect, or binding on the parties, provided, however, that nothing in this Agreement or any related document is intended to disclaim the representations Franchisor made in the FDD furnished to Area Representative, and Area Representative's representations made prior to the

execution of this Agreement in the questionnaire in Appendix B attached hereto. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion.

B. Any provisions of this Agreement which may be reasonably interpreted to impose any obligation after termination or expiration hereof shall survive such termination or expiration and be binding upon the parties.

C. The term "Area Representative" shall be construed to refer to the male or female gender in all cases where Area Representative is an individual, masculine or feminine modifiers and pronouns notwithstanding. The term "principals" shall include Area Representative's general and limited partners, if it is a partnership, its officers, directors and shareholders, if Area Representative is a corporation, and its members and managers, if Area Representative is a limited liability company. The Article captions are inserted only for convenience and reference, and are not intended to define, limit or describe the scope, intent or language of this Agreement or any provisions hereof.

D. This Agreement shall be binding upon the parties and their heirs, executors, personal representatives, successors and assigns. All signatories to this Agreement and all partners of a partnership Area Representative, all officers, directors and shareholders of a corporate Area Representative, and all members and managers of a limited liability company Area Representative, shall be jointly and severally liable for the performance of all terms, covenants and conditions hereof. If this Agreement is to be issued or transferred to a corporation, partnership, limited liability company or other entity, all shareholders, partners, members or other owners of such entity and their spouses shall execute the Agreement to Comply with Certain Undertakings of Franchisee attached to this Agreement, and any person who thereafter acquires or holds any interest in the Area Representative or this Agreement and their spouse shall also execute such agreement.

E. The performance by either party hereto of any of their respective obligations or undertakings provided for in this Agreement shall be excused and no default shall be deemed to exist in the event and so long as the performance of any such obligation or undertaking is prevented, delayed, retarded, or hindered by any act of nature, weather conditions, fire, earthquake, flood, explosion, war, riot, condemnation, laws, orders of government or civil or military authorities, strikes, lockout or the action of labor unions, or any other cause beyond the reasonable control of Franchisor or Area Representative, as the case may be. Each party agrees to notify the other promptly upon discovery of an event of force majeure, as set forth above, which may cause a failure or delay in performance under this Agreement, and Franchisor acknowledges and agrees that the development periods with respect to the Mandatory Development Schedule shall in each case be extended by the number of days during which the force majeure continues; provided, that Area Representative has promptly notified Franchisor of such force majeure.

F. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the

original had been received.

G. If Franchisor incurs expenses in connection with Area Representative's failure to pay when due amounts owed to Franchisor, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, Area Representative agrees to reimburse Franchisor for any of the costs and expenses which Franchisor incurs, including reasonable accounting, attorneys' and related fees.

21. ACKNOWLEDGEMENTS

A. The success of the business venture contemplated to be undertaken by Area Representative by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Area Representative as an independent business enterprise, and its active participation in the daily affairs of the business as well as other factors. Franchisor does not make any representations or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

B. Area Representative and its guarantors acknowledge that it and they are entering into this Agreement, and all ancillary agreements executed contemporaneously with this Agreement, as a result of its and their own independent investigation of this franchise and not in reliance on or as a result of any representations made by Franchisor or any of its owners, officers, directors, managers, employees, agents, representatives, attorneys, franchisees, brokers or other franchise sellers that are not contained in or are contrary to the terms set forth in this Agreement or any representation in the FDD. Area Representative further acknowledges that it has read and completed the Questionnaire, a copy of which is attached to this Agreement as Appendix B.

C. Area Representative represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Area Representative further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

D. Area Representative acknowledges that in all of Franchisor's dealings with Area Representative, Franchisor's officers, directors, employees and agents act only in a representative, and not in an individual, capacity and that business dealings between Area Representative and Franchisor's officers, directors, employees and agents are only between Area Representative and Franchisor.

E. Area Representative acknowledges that it has represented to Franchisor, to induce Franchisor to enter into this Agreement, that all statements Area Representative has made and all materials Area Representative has given to Franchisor in acquiring this Area Representative Agreement are accurate and complete and that Area Representative has made no misrepresentations or material omissions in obtaining this Area Representative Agreement.

22. ANTI-TERRORISM REPRESENTATIONS

Under applicable U.S. Law, including without limitation Executive Order 13224, signed on September 23, 2001 (the "Order"), Franchisor is prohibited from engaging in any transaction with any person engaged in, or with a person aiding any person engaged in acts of terrorism as defined in the Order. Accordingly, Area Representative does not, and hereafter will not engage in any terrorist activity. In addition, Area Representative is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity. Finally, Area Representative is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any

terrorist activity.

[SIGNATURE PAGE TO FOLLOW]

**THIS CONTRACT CONTAINS A BINDING ARBITRATION CLAUSE WHICH MAY
BE ENFORCED BY THE PARTIES**

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have duly executed and delivered this Agreement the date and year first written above.

FRANCHISOR:

MASSAGE LUXE INTERNATIONAL, LLC

By: _____
Mark Otter, President and CEO

AREA REPRESENTATIVE:

[CORPORATION, LLC OR PARTNERSHIP:]

By: _____
Printed Name: _____
Title: _____

[AS INDIVIDUALS:]

Signature: _____
Printed Name: _____

Signature: _____
Printed Name: _____

Signature: _____
Printed Name: _____

AGREEMENT TO COMPLY WITH CERTAIN UNDERTAKINGS OF FRANCHISEE

In consideration of, and as an inducement to, the execution of the above Area Representative Agreement (the "ARA"), by MASSAGE LUXE INTERNATIONAL, LLC ("us", "we", or "our") in favor of _____ ("AREA REPRESENTATIVE"), the undersigned ("UNDERSIGNED") agrees to personally comply with and abide by the following sections of the ARA: Confidential Information (Article 11) and Exclusive Dealings (Article 13), to the same extent as and for the same period of time as AREA REPRESENTATIVE is required to comply with and abide by such covenants and provisions. All of the foregoing obligations of the undersigned shall survive any expiration, termination, non-renewal, or transfer of the ARA or this Agreement to Comply with Certain Undertakings of Franchisee ("Undertakings Agreement").

The obligations of the UNDERSIGNED hereunder are not contingent or conditioned upon our pursuit of any remedies against AREA REPRESENTATIVE or any other person; nor will such obligations be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may from time to time grant to AREA REPRESENTATIVE or to any other person, including, without limitation, the acceptance of any partial performance or the compromise or release of any claims, none of which will in any way modify or amend this Undertakings Agreement, which will be continuing and irrevocable during the term of the ARA and thereafter.

If we or any of our affiliates are required to enforce this Undertakings Agreement in any judicial proceeding or appeal thereof, the UNDERSIGNED shall reimburse us and our affiliates for our and/or their costs and expenses, including, but not limited to, reasonable accountants', attorneys', attorney assistants', and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Undertakings Agreement. Further, UNDERSIGNED hereby consents to the applicability of the venue, governing law and jurisdiction provisions in the ARA.

The terms contained in the ARA and this Undertakings Agreement constitute the entire agreement between the parties, and there are no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein.

IN WITNESS WHEREOF, each of the UNDERSIGNED has affixed his or her signature on the same day and year as the Agreement was executed.

GUARANTOR(S):

Print Name: _____

Signature: _____

Date: _____

Address: _____

Print Name: _____

Signature: _____

Date: _____

Address: _____

APPENDIX A
AR TERRITORY

APPENDIX B

AREA REPRESENTATIVE QUESTIONNAIRE

As you know, MASSAGE LUXE INTERNATIONAL, LLC ("we" or "us") and you are preparing to enter into an Area Representative Agreement for the operation of a MassageLuXe Area Representation franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized and that may be untrue, inaccurate or misleading. Please review each of the following questions and provide honest and complete responses to each question.

1. Have you received and personally reviewed the Area Representative Agreement and each attachments and schedule attached to it? Yes _____ No _____
2. Have you received and personally reviewed the Franchise Disclosure Document for a MassageLuXe Area Representation franchise ("FDD") that we provided to you?
Yes _____ No _____
3. Did you sign a receipt for the FDD indicating the date you received it?
Yes _____ No _____
4. Date on which you received the FDD and related Exhibits explaining the MassageLuXe Area Representation franchise.
_____, 20____
(month, day)
5. Date on which you received a completed copy, other than signatures, of the Area Representative Agreement.
_____, 20____
(month, day)
6. Date on which you signed the Area Representative Agreement.
_____, 20____
(month, day)
7. Were you given the opportunity to discuss the benefits and risks of operating an Area Representation business with an attorney, accountant, or other professional advisor, and do you understand those risks?
Yes _____ No _____
8. Do you understand that the success or failure of your franchise will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?
Yes _____ No _____
9. Has any employee or other person speaking on our behalf made any statement or promise regarding the amount of money you may earn or that any of our franchisees earn in operating MassageLuXe Area Representation franchise other than what is discussed in Item 19 of the FDD?
Yes _____ No _____

10. Has any employee or other person speaking on our behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a MassageLuXe Area Representation franchise?

Yes _____ No _____

11. Has any employee or other person speaking on our behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that we will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

* * *

Please understand that your responses to these questions are important to us and that we will rely on them.

By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. You are also representing that you have reviewed all of these questions and the answers with the other owners of the business and any of your representatives who had discussions with us or any of our officers, agents, or employees. The responses from those people are also included by you above.

Dated on _____, 20____.

AREA REPRESENTATIVE APPLICANT

Name: _____

Signature: _____

EXHIBIT B
TO THE DISCLOSURE DOCUMENT
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FACE LUXE®

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EXHIBIT C
TO THE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

MASSAGE LUXE INTERNATIONAL, LLC

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED
DECEMBER 31, 2018, 2017, AND 2016**

Massage Luxe International, LLC

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INDEPENDENT AUDITORS' REPORT

Massage Luxe International, LLC
Fenton, Missouri

We have audited the accompanying financial statements of Massage Luxe International, LLC, which comprise the balance sheets as of December 31, 2018, 2017, and 2016, and the related statements of operations, member equity, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massage Luxe International, LLC as of December 31, 2018, 2017, and 2016 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, likely reading "PricewaterhouseCoopers", is written in black ink.

St. Louis, Missouri

March 30, 2019

FINANCIAL STATEMENTS

Massage Luxe International, LLC
BALANCE SHEETS

ASSETS

	December 31,		
	2018	2017	2016
CURRENT ASSETS			
Cash	\$ 720,578	\$ 599,111	\$ 284,758
Accounts receivable, net of allowance of \$6,750 in 2018 and none in 2017 and 2016	247,507	199,961	210,317
Due from affiliates	-	140,164	529,903
Notes receivable	796,881	-	-
Prepaid expenses	14,864	5,000	1,425
Total Current Assets	<u>1,779,830</u>	<u>944,236</u>	<u>1,026,403</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>15,707</u>	<u>3,167</u>	<u>5,361</u>
INTANGIBLE ASSETS, net of accumulated amortization	<u>32,370</u>	<u>48,135</u>	<u>51,938</u>
OTHER ASSETS			
Accounts receivable, noncurrent, net of allowance of \$3,050 in 2018, \$40,000 in 2017 and \$117,000 in 2016	109,488	138,800	250,000
Note receivable, related party, net of allowance of \$900,000 in 2017 and \$600,000 in 2016	-	-	300,000
Due from affiliates, noncurrent	-	341,329	107,429
Total Other Assets	<u>109,488</u>	<u>480,129</u>	<u>657,429</u>
Total Assets	<u>\$1,937,395</u>	<u>\$1,475,667</u>	<u>\$1,741,131</u>

LIABILITIES AND MEMBER EQUITY

CURRENT LIABILITIES			
Accounts payable and accrued expenses	\$ 731,133	\$ 473,389	\$ 526,364
Accrued interest payable	3,563	99,000	24,400
Current portion - note payable, related party (Note I)	10,021	-	-
Current portion - convertible revolving credit note (Note H, I)	-	900,000	-
Due to affiliates	-	32,685	20,473
Distributions payable	-	-	4,750
Deferred revenue	89,647	72,301	97,265
Total Current Liabilities	<u>834,364</u>	<u>1,577,375</u>	<u>673,252</u>
OTHER LIABILITIES			
Note payable, related party (Note H)	992,070	-	-
Convertible revolving credit note (Note G, H)	-	-	900,000
Deferred revenue, noncurrent	33,147	18,075	64,844
Total Other Liabilities	<u>1,025,217</u>	<u>18,075</u>	<u>964,844</u>
MEMBER EQUITY	<u>77,814</u>	<u>(119,783)</u>	<u>103,035</u>
Total Liabilities and Member Equity	<u>\$1,937,395</u>	<u>\$1,475,667</u>	<u>\$1,741,131</u>

See accompanying notes to financial statements

Massage Luxe International, LLC
STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2018	2017	2016
REVENUE			
Royalty revenue	\$ 1,555,833	\$ 1,370,657	\$ 1,150,804
Advertising	1,295,553	1,107,206	930,882
Franchise fees	180,000	148,000	57,000
Area development agreement revenue	150,000	10,000	10,000
Other fees and revenue	322,866	269,954	328,769
 Total Revenue	 3,504,252	 2,905,817	 2,477,455
EXPENSES			
Salaries and taxes	1,249,844	831,678	406,359
Advertising	1,060,893	888,985	799,212
Professional services	484,074	373,133	296,718
 Management fees	 288,935	 439,400	 464,000
Travel, meals, and entertainment	98,066	70,921	72,134
Miscellaneous expense	24,333	17,795	26,144
 Franchise operator expenses	 22,223	 216,304	 74,283
Amortization and depreciation	18,041	18,184	18,205
Bad debt expense (recovery)	6,800	(58,789)	-
 Total Expenses	 3,253,209	 2,797,611	 2,157,055
 NET OPERATING INCOME	 251,043	 108,206	 320,400
OTHER INCOME (EXPENSES)			
Interest income	16,817	43,576	45,422
Interest expense	(106,654)	(74,600)	(27,417)
Losses on notes receivable, related parties	-	(300,000)	(600,000)
 Total Other Income (Expenses)	 (89,837)	 (331,024)	 (581,995)
 NET INCOME (LOSS)	 \$ 161,206	 (\$ 222,818)	 (\$ 261,595)

See accompanying notes to financial statements

Massage Luxe International, LLC
STATEMENTS OF MEMBER EQUITY

BALANCE, December 31, 2015	\$ 889,630
Net loss	(261,595)
Distributions to members	(475,000)
Member buyout	<u>(50,000)</u>
BALANCE, December 31, 2016	103,035
Net loss	<u>(222,818)</u>
BALANCE, December 31, 2017	(119,783)
Net income	161,206
Equity conversion	100,000
Distributions to members	<u>(63,609)</u>
BALANCE, December 31, 2018	<u>\$ 77,814</u>

Massage Luxe International, LLC
STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2018	2017	2016
OPERATING ACTIVITIES			
Net income (loss)	\$ 161,206	(\$ 222,818)	(\$ 261,595)
Adjustments to reconcile net income (loss) to net change in cash from operating activities:			
Losses on notes receivable, related parties	-	300,000	600,000
Amortization and depreciation	18,041	18,184	18,205
Bad debt expense (recovery)	6,800	(58,789)	-
(Increase) decrease in assets:			
Accounts receivable, net	(17,213)	180,345	278,276
Due from affiliates	(168,816)	389,739	(81,997)
Prepaid expenses	(9,864)	(3,575)	9,075
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	257,744	(52,975)	(121,906)
Interest payable	106,654	74,600	24,400
Due to affiliates	(32,685)	12,212	3,314
Deferred revenue	32,418	(71,733)	2,399
Net Change in Cash from Operating Activities	<u>354,285</u>	<u>565,190</u>	<u>470,171</u>
INVESTING ACTIVITIES			
Due from affiliates, noncurrent, net	-	(233,900)	(159,819)
Issuance of notes receivable, related party	-	-	(900,000)
Issuance of notes receivable	(295,154)	-	-
Payments of notes receivable	140,761	-	-
Purchases of intangible assets	-	(12,187)	-
Purchases of property and equipment	(14,816)	-	-
Net Change in Cash from Investing Activities	<u>(169,209)</u>	<u>(246,087)</u>	<u>(1,059,819)</u>
FINANCING ACTIVITIES			
Advances on convertible revolving credit note	-	-	900,000
Member buyout payments	-	-	(50,000)
Distributions to members	(63,609)	(4,750)	(22,000)
Net Change in Cash from Financing Activities	<u>(63,609)</u>	<u>(4,750)</u>	<u>828,000</u>
NET CHANGE IN CASH	<u>121,467</u>	<u>314,353</u>	<u>238,352</u>
CASH, Beginning of year	<u>599,111</u>	<u>284,758</u>	<u>46,406</u>
CASH, End of year	<u>\$ 720,578</u>	<u>\$ 599,111</u>	<u>\$ 284,758</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:			
Cash paid during the year for interest expense	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,017</u>

See accompanying notes to financial statements

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations and Revenue Recognition

Massage Luxe International, LLC ("MLI") was formed in 2007 and began operations in 2008. MLI revenues are initially earned from entering into franchising agreements and area development agreements with massage spa franchisee operators. Once these agreements have been established, MLI will continue to manage its network of franchises and collect royalty and advertising fees. MLI operates under the name of Massage Luxe International, LLC and the franchises are operated under the name of MassageLuXe.

Cash

MLI maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018, the MLI's uninsured cash balances totaled \$378,739.

MLI had no noncash investing and financing transactions as of December 31, 2018 and 2017.

MLI had two noncash investing and financing transactions as of December 31, 2016. In lieu of cash distributions to members, MLI reduced the balance "due from affiliates, noncurrent" in the amount of \$470,250 and accrued distributions payable in the amount of \$4,750.

Accounts Receivable

MLI generates accounts receivable in the normal course of business. MLI grants credit to customers throughout the United States, and generally does not require collateral to secure the accounts receivable. Accounts receivable are stated at the net realizable value. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts greater than 120 days past due are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. MLI provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance.

Intangible Assets

Acquisitions of intangible assets are recorded at cost. When assets are sold or retired, the cost and related accumulated amortization are removed from the accounts and any gain or loss is reported in the statements of operations. Amortization is provided over the estimated useful life of each class of amortizable asset and is computed using the straight-line method over the estimated useful life.

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred.

When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of operations. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line and accelerated method over the estimated useful life as follows:

Property and Equipment	10 years
------------------------	----------

Software Development

MLI accounts for the cost of software development in accordance with standards of the Financial Accounting Standards Board regarding Accounting for the Cost of Computer Software Developed or Obtained for Internal Use. All development costs incurred prior to the application development stage for a software product are expensed as incurred. Development costs incurred during the application development stage through the date of general release of the software are capitalized and amortized over the useful life of the software product.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

MLI has elected to be treated as a Limited Liability Company (LLC) under the provisions of the Internal Revenue Code. As a result of this election, the earnings of MLI are taxable to its member and no provision has been made for federal or state income taxes in the accompanying financial statements for the years ending December 31, 2018, 2017, and 2016.

MLI follows the provisions related to uncertain tax positions as addressed by the Financial Accounting Standards Board and management is not aware of any uncertain tax positions of MLI related to the tax filings. MLI's tax returns for tax years 2015 and later remain open to examination by taxing authorities, generally for three years after the returns are filed.

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Franchise Revenue

MLI recognizes franchise fees and area development agreement revenues upon the execution of franchise contracts. Royalties and advertising fees are earned on a daily basis and collected on a weekly basis.

Advertising

MLI collects advertising funds for its Creative Services Advertising Fund per the franchise agreements. Advertising fund monies are used to promote brand awareness of the services provided by franchisees, including, but not limited to, creation of marketing and promotional materials, maintenance of websites, social media advertising, search engine marketing and advertising support and services for the franchise system.

Advertising fund revenue are recognized per the franchise agreements. Any amount collected but unspent at the end of the year are reported as accrued expenses on the accompanying balance sheets. The related accrued expenses on the balance sheet as of December 31, 2018 and 2017, were \$103,371 and \$7,660, respectively. The accrued advertising balance was \$0 as of December 31, 2016.

Advertising expenses for the years ended December 31, 2018, 2017, and 2016 were \$1,060,893, \$888,985, and \$799,212, respectively.

Concentration of Credit Risk

MLI generates accounts receivable in the normal course of business. MLI grants credit to customers throughout the United States and generally does not require collateral to secure the accounts receivable. Management provides for potential uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance is estimated at \$9,800, \$40,000, and \$117,000 for the years ending December 31, 2018, 2017, and 2016, respectively.

Reclassifications

Certain amounts in the financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent Events

In preparing these financial statements, MLI has evaluated events and transactions for potential recognition or disclosure through March 30, 2019, the date the financial statements were available to be issued.

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

B. FRANCHISING

MLI generates revenues from franchising through individual franchise sales and development agreements. In general, MLI's franchise agreements provide for the payment of a franchise fee for each opened franchised spa.

Area development agreements provide for the development of a specified number of spas within a defined geographic territory in accordance with a schedule of opening dates. Development schedule timeframes are dependent on the size of the territory and the recognition of the franchise name within the territory. Development agreement payments are initially made when the agreement is executed and are paid in full at that time. Some previous development agreement terms allowed for payments on an ongoing basis upon the sale of franchise units within the development area. All payments and obligations are non-cancellable and nonrefundable.

As of December 31, 2018, MLI has 15 area development agreements requiring the development of 453 MassageLuXe spas at various dates, up to February 28, 2035. A total of 60 MassageLuXe spas have been developed of which 52 spas were developed in connection with these development agreements as of December 31, 2018. Over the past three years, seven, nine, and five new spas were added for the years ended 2018, 2017, and 2016, respectively.

C. TRANSFER OF OWNERSHIP

On September 27, 2018, MLI entered into an equity purchase agreement with the holder of the note payable and elected to convert \$100,000 of note balance into Membership Units of MLI. Additionally, the note holder acquired the remaining interest in MLI with other external funds.

D. RECEIVABLE AND DEBT RESTRUCTURE

MLI had multiple receivable and debt restructuring transactions during 2018.

- \$100,000 was converted from the convertible revolving credit note to member equity (see Note C).
- \$102,091 was converted from accrued interest payable to note payable, related party
- \$900,000 was converted from the convertible revolving credit note to note payable, related party
- \$642,488 was converted from current and noncurrent due from affiliates to notes receivable

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

E. NOTES RECEIVABLE

Due to transfer of ownership (see Note C), noncurrent and current due from affiliates were converted to line of credit promissory notes.

MLI has a \$450,000 line of credit promissory note with Team Tan Inc., of which \$405,479 was used at December 31, 2018. Monthly payments of interest only are due on the line of credit promissory note. The note matures December 31, 2019 and carries an annual interest rate of 6.5%.

MLI has a \$300,000 line of credit promissory note with BRJ, LLC, of which \$298,114 was used at December 31, 2018. Monthly payments of interest only are due on the line of credit promissory note. The note matures December 31, 2019 and carries an annual interest rate of 6.5%.

MLI has a \$94,000 line of credit promissory note with Xist Arnold, LLC, of which \$93,288 was used at December 31, 2018. Monthly payments of interest only are due on the line of credit promissory note. The note matures December 31, 2019 and carries an annual interest rate of 6.5%.

F. PROPERTY AND EQUIPMENT

	2018	2017	2016
Property and equipment	\$21,161	\$ 16,015	\$ 16,015
Less: accumulated depreciation	(5,454)	(12,848)	(10,654)
Total Property and Equipment, Net	<u>\$ 15,707</u>	<u>\$ 3,167</u>	<u>\$ 5,361</u>

Depreciation expense for the years ended December 31, 2018, 2017, and 2016 was \$2,276, \$2,194, and \$2,194, respectively.

Massage Luxe International, LLC
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018, 2017, and 2016
 (Continued)

G. INTANGIBLE ASSETS

Intangible assets consist of the following at December 31, 2018:

	Weighted Average <u>Useful Life</u>	Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Net Carrying <u>Amount</u>
Organizational costs	15	\$ 66,561	(\$ 48,070)	\$ 18,491
Trademarks	10	38,162	(24,283)	13,879
Branding	5	41,500	(41,500)	-
Education training	5	14,370	(14,370)	-
Website development	3	15,200	(15,200)	-
Software development	5	29,600	(29,600)	-
Total Intangible Assets, Net		<u>\$ 205,393</u>	<u>(\$ 173,023)</u>	<u>\$ 32,370</u>

Intangible assets consist of the following at December 31, 2017:

	Weighted Average <u>Useful Life</u>	Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Net Carrying <u>Amount</u>
Organizational costs	15	\$ 66,561	(\$ 43,633)	\$ 22,928
Trademarks	10	38,162	(21,177)	16,985
Branding	5	41,500	(41,500)	-
Education training	5	14,370	(14,370)	-
Website development	3	15,200	(15,200)	-
Software development	5	29,600	(21,378)	8,222
Total Intangible Assets, Net		<u>\$ 205,393</u>	<u>(\$ 157,258)</u>	<u>\$ 48,135</u>

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

G. INTANGIBLE ASSETS (Continued)

Intangible assets consist of the following at December 31, 2016:

	Weighted Average <u>Useful Life</u>	Carrying <u>Amount</u>	Accumulated <u>Amortization</u>	Net Carrying <u>Amount</u>
Organizational costs	15	\$ 66,561	(\$ 39,196)	\$ 27,365
Trademarks	10	16,863	(10,379)	6,484
Branding	5	41,500	(41,500)	-
Education training	5	14,370	(14,370)	-
Website development	3	15,200	(15,200)	-
Software development	5	29,600	(11,511)	18,089
Total Intangible Assets, Net		<u>\$ 184,094</u>	<u>(\$ 132,156)</u>	<u>\$ 51,938</u>

Amortization expense for 2018, 2017, and 2016 was \$15,765, \$15,990, and \$16,011, respectively. Estimated amortization expense at December 31, 2018 for each of the five succeeding fiscal years is as follows:

Year Ending
December 31.

2019	7,543
2020	7,283
2021	5,857
2022	5,857
2023	1,394

H. NOTE RECEIVABLE AND LOSSES ON NOTES RECEIVABLE – RELATED PARTY

In August of 2016, MLI loaned \$300,000 to three separate related party entities, totaling \$900,000 with an interest rate of 9%. The notes and interest were due in full on August 17, 2018. Subsequent to year-end of 2016, \$600,000 of the notes receivable became impaired and was fully allowed for at December 31, 2016. During the year 2017, the remaining \$300,000 became impaired and was fully allowed for at December 31, 2017. Related interest income in the amount of \$36,675 and \$27,450 was recognized and paid during the years ended December 31, 2017 and 2016, respectively. These notes receivable were written off during 2018 and would have no longer been considered related party at December 31, 2018.

Massage Luxe International, LLC
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018, 2017, and 2016
 (Continued)

I. CONVERTIBLE REVOLVING CREDIT NOTE EXERCISED AND AMENDED TO TERM LOAN

In August of 2016, MLI entered into convertible revolving line of credit agreement with an investor/lender not to exceed \$2,000,000. The line of credit bore interest at 8% per annum. The outstanding balance was \$900,000 at December 31, 2017 and 2016. Outstanding principal and any unpaid interest were due August 17, 2018. On September 27, 2018, \$100,000 of note payable was converted to equity.

At December 14, 2018, the line of credit was amended and restated into a term loan in the amount of \$1,002,091, including \$102,091 of past due interest that was converted to principal on this date. Related interest expense in the amount of \$106,654, \$74,600 and \$24,400 was incurred during 2018, 2017 and 2016, respectively. The term loan bears interest at 8% per annum with a maturity date of December 14, 2026. Future minimum payments are as followed:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 10,021
2020	9,921
2021	9,821
2022	9,723
2023	9,626
Thereafter	<u>952,979</u>
	<u>\$1,002,091</u>

J. DEFERRED REVENUE

Deferred revenue includes amounts due to spas for future services and/or sales of merchandise. The deferred revenue is created by the sale of Groupons and gift cards that may be used in the spas. For the years ended December 31, 2018, 2017, and 2016, total deferred revenue was \$122,794, \$90,376, and \$162,109, respectively.

Massage Luxe International, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2018, 2017, and 2016
(Continued)

K. RELATED PARTY TRANSACTIONS

During the years ended December 31, 2017, and 2016, a member of MLI had ownership interests in various spas and other entities. Accounts receivable included approximately \$23,000 and \$24,000 from these related parties for the years ended December 31, 2017 and 2016, respectively. Accounts payable included approximately \$180,000 and \$202,000 to these related parties for the years ended December 31, 2017 and 2016, respectively. Due to transfer of ownership noted in Note C, these amounts are no longer considered related party balances at December 31, 2018.

Prior to transfer of ownership, MLI paid management fees to affiliated companies in the normal course of business for certain shared overhead expenses including but not limited to shared facilities, office operating expenses, executive, administrative, sales and marketing services. MLI paid \$206,851, \$439,400, and \$464,000 for the years ending December 31, 2018, 2017, and 2016, respectively.

Prior to transfer of ownership, MLI made advances to and received advances from affiliated companies in the normal course of business. When these advances were long term, a note was written with an imputed interest rate equal to current applicable federal rates. See Note E for noncurrent and current Due from Affiliates amounts converted to line of credit promissory notes.

See note H for related party note receivable for the years ended December 31, 2017 and 2016.

L. CONTINGENCIES

In the ordinary course of business, MLI receives information regarding potential claims against MLI from customers. Management has represented that its insurance company is responsible for handling any and all such claims, and believes the insurance coverage is adequate to protect MLI in the event of a successful claim. An estimate of possible damages, if any, which MLI would be liable for, cannot be made at this time.

EXHIBIT D
TO THE DISCLOSURE DOCUMENT
STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

Listed below are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws:

California

One Sansome Street, Suite 600
San Francisco, CA 94104
(415) 557-3787
(866) 275-2677

Florida

Department of Agriculture and
Consumer Services
Division of Consumer Services
227 N. Bronough Street
City Centre Building, 7th Floor
Tallahassee, FL 32301
(904) 922-2770

Hawaii

Department of Commerce and
Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Office of Attorney General
Franchise Division
500 South Second Street
Springfield, IL 62706
(217) 782-4465

Indiana

Indiana Secretary of State
Securities Division
302 West Washington Street
Room E-111
Indianapolis, IN 46204
(317) 232-6681

Maryland

Office of Attorney General
Maryland Division of Securities
200 St. Paul Place
Baltimore, MD 21202-2020
(410) 576-6360

Michigan

Attorney General
Consumer Protection Division
525 W. Ottawa Street
G. Mennen Williams Bldg.
1st Floor
Lansing, MI 48913
(517) 373-7117

Minnesota

Department of Commerce
Registration and Licensing
85 7th Place East, Suite 500
St. Paul, MN 55101
(612) 296-6328

Nebraska

~~Department~~ Department of Banking
and Finance
1526 K Street, Suite 300
P.O. Box 95006
Lincoln, NE 68508
(402) 471-3445

New York

New York State Dept. of Law
Bureau of Investor Protection
and Securities
120 Broadway, 23rd Floor
New York, NY 10271
(212) 416-8211

North Dakota

North Dakota Securities
Department
600 East Boulevard, State
Capitol, 5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Dept. of Ins. and Finance
Corporate Securities Section

Labor and Industries Building
Salem, OR 97310
(503) 378-4387

Rhode Island

Dept. of Business Regulation
Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903
(401) 222-3048

South Dakota

Division of Insurance
Securities Regulation
124 S Euclid, Suite 104
Pierre, SD 57501
(605) 773-3563

Texas

Secretary of State
Statutory Document Section
P.O. Box 13563
Austin, TX 78711
(512) 475-1769

Virginia

State Corporation Commission,
Division of Securities and Retail
Franchising
1300 E. Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

Washington

Securities Administrator
Department of Financial
Institutions
Securities Division
P.O. Box 9033
Olympia, WA 98507-9033
(360) 902-8760

Wisconsin

Department of Financial
Institutions Div. of Securities

345 W. Washington Ave., 4th FL
Madison, WI 53703
(608) 261-9555

Agents for Service of Process

California

Commissioner of Business Oversight
California Dept. of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7505
(866) 275-2677

Hawaii

Commissioner of Securities
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

Illinois

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-1090

Indiana

Indiana Secretary of State
201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6531

Maryland

Maryland Securities Commissioner
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

Michigan

Department of Commerce,
Corporations and Securities Bureau
6546 Mercantile Way
Lansing, Michigan 48910
(517) 334-6212

Minnesota

Commissioner of Commerce
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101
(612) 296-4026

New York

New York Secretary of State
99 Washington Avenue
Albany, New York 12231
(518) 473-2492

North Dakota

North Dakota Securities Department
600 East Boulevard, State Capitol
5th Floor, Dept. 414
Bismarck, ND 58505-0510
(701) 328-4712

Oregon

Director of Oregon
Department of Insurance and Finance
700 Summer Street, N.E., Suite 120
Salem, Oregon 97310
(503) 378-4387

Rhode Island

Director of Rhode Island
Department of Business Regulation
233 Richmond Street, Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

South Dakota

Director of South Dakota Division of Insurance
124 S. Euclid, Suite 104
Pierre, South Dakota 57501
(605) 773-3563

Virginia

Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9733

Washington

Securities Administrator
Department of Financial Institutions
150 Israel Road
Tumwater, Washington 98501
(360) 902-8760

Wisconsin

Wisconsin Commissioner of Securities
345 W. Washington Ave., 4th Floor
Madison, Wisconsin 53703
(608) 261-9555

EXHIBIT E
TO THE DISCLOSURE DOCUMENT
LIST OF FRANCHISEES

LIST OF AREA REPRESENTATIVES

AREA REPRESENTATIVE NAME	AREA TERRITORY	ADDRESS	TELEPHONE
Florida Massage Corporation Attention: Michael Cavaseno	The State of Florida	634 Shoreline Drive Naples, FL 34119	(239) 250-7777
Kanwaljit (Ken) and Guljeet Khangura	The State of Illinois in the area bordered by I-80 to the south, Lake Michigan shoreline and the Illinois/Indiana border to the east, the Illinois/Wisconsin border to the north and the Illinois/Iowa border to the west	2665 Noggle Court Aurora, IL 60503	(248) 805- 5251 <u>802-5251</u>
VV Luxe, LLC Attn: Rahul Kommineni	The State of Indiana	7004 Seminary Ridge Court Edwardsville, IL 62025	(314) 537-5952
Neena Enterprises 2, LLC Attention: Surinder and Neena Judge	The following Counties in Michigan: Livingston, Macomb, Oakland, Washtenaw and Wayne	45877 Tournament Drive Northville, MI 48168	(313) 805- 7454 <u>(248) 214- 4371</u>
Phoenix Marketing KASA X, LLC Attn: Glenn Gross Kyle and Stephanie <u>Attarian</u>	The Memphis, State of Tennessee Metropolitan Area	4820 Winesap Drive Horn Lake, MS 38367 <u>1010A Caldwell Avenue</u> Nashville, TN 37204	(920) 296- 9481 <u>(901) 497- 2649</u>
BEL CIELO, LLC Attention: Cynthia O'Toole	The State of Colorado	15 Winding Stair Way Dardenne Prairie, MO 63368	(314) 594-2708
DJ, LLC Attention: Darren and Jane Thomas	Peoria, Illinois and the State of Illinois south of Peoria; and the Following Cities in Missouri: Cape Girardeau, Arnold, Fenton, Manchester, Des Peres, Oakville and Afton	353 Palisades Ridge Court Eureka, MO 63025	(314) 583- 1900 <u>629-2130</u>
K&R Investment Group, LLC Attn: Kal Ramadan	The State of Texas (other than the following 4 Counties in Texas: Denton, Collin, Tarrant and Dallas)	205 Silent Meadow Drive Lake St. Louis, MO 63367	(636) 980-6590
Suraj Spa Development Group, LLC Attn: Raj Rameira	The following 4 Counties in Texas: Denton, Collin, Tarrant and Dallas	13592 Kettle Camp Road Frisco TX 75035	(631) 553-3999
Serenity Investments, L.L.C. Attn: Margo Allison	Certain portions of Central Missouri	2526 Highway K O'Fallon, MO 63368	(573) 434-9371
Krupski Enterprises, AZ, LLC Attn: Matt and Carissa Krupski	The State of Arizona	3 Collar Court St. Louis, MO 63127 <u>1892 E. Kaibab</u> Chandler, AZ 85249	(314) 440- 8333 <u>(618) 973- 6763</u>

MassageLuxe®

2018

2019 Area Representation California

27224176v3

27224176v.5

AREA REPRESENTATIVE NAME	AR-ARA TERRITORY	ADDRESS	TELEPHONE
MARADA, LLC* Attn: Rebecca Collins	The State of Kansas and the Kansas City, Missouri Metropolitan Areas	122 Kimberly Court Collinsville, IL 62234	(618) 978-1393
SPI Investments, LLC Attn: Sapan Inamdar	The following Counties in New Jersey: Passiac, Bergen, Essex, Morris, Hudson, Somerset, Hunterdon, Union, Middlesex and Monmouth	1430 Parillo Court North Brunswick, NJ 08902	(732) 213-3851
Layne Spas, LLC Attn: Bill M. Taylor and Stephanie L. Wrenn	The Raleigh-Durham, North Carolina Metropolitan Area	c/o Stephanie Wrenn 205 Hudson, Apt. D Raleigh, NC 27608	(336) 214-8035
MLUXE 1, LLC Attn: Parisa N. Fard	The States of Virginia and Maryland, and the District of Columbia	5741 Cleveland Street, Ste 100180 Virginia Beach, VA 23462	(757) 468-6300

* This outlet was part of a transfer in 2017.

**AREA REPRESENTATIVES WHO HAVE SIGNED AN ARA
BUT HAD NOT OPENED AS OF DECEMBER 31, 2017-2018**

None.

AREA REPRESENTATIVES WHO LEFT THE SYSTEM

(The list of area representative franchisees which have been terminated, transferred, cancelled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the ARA during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Application Date.) If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

AREA DEVELOPER REPRESENTATIVE NAME	CITY, STATE	TELEPHONE
James and Peggy Reisch Marketing, LLC	O'Fallon, MO Horn Lake, MS	(636) 300- 0222(920) 296- 9481
Leonard and Jennifer Woolfenden*	Wentzville, MO	(636) 639-6006

* This outlet was transferred in 2017.

EXHIBIT F
TO THE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA

**ADDENDUM TO MASSAGE LUXE INTERNATIONAL, LLC
FRANCHISE DISCLOSURE DOCUMENT
REQUIRED BY THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 *et seq.* the franchise disclosure document for MASSAGE LUXE INTERNATIONAL, LLC for use in the State of California shall be amended as follows:

Item 1 of the FDD is supplemented to include the following:

In California, both state and local laws regulate massage therapists and massage therapy spas and may require licensing. It is your responsibility to check the laws applicable in your location to determine whether any state or local licensing laws or regulations are applicable and to fully comply with those laws or regulations.

Item 3 of the FDD is supplemented to include the following:

Neither we nor any person identified 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. 78a *et seq.*, suspending or expelling such person from membership in such association or exchange.

Item 5 of the FDD is supplemented to include the following:

~~The initial franchise fees include fees and payments you make to us and our affiliates for goods and services before you commence operating your Area Representative business. The initial franchise fees will be escrowed until all of our initial obligations to you have been fulfilled and the opening of your first Spa under the Area Representative Agreement. The California Department of Business Oversight has imposed the escrow requirement because of our financial condition. The escrow agreement is on file with the California Department of Business Oversight.~~

~~Notwithstanding the requirements of the FDD, due to the imposition of the financial assurances set forth above, you may be required to purchase products and services for the opening of the Area Representative business directly from our approved vendors instead of from us or our affiliates until we have satisfied our pre-opening obligations. Thereafter, you will again be required to purchase these items and pay the fees from us or our affiliates.~~

Item 17 of the FDD shall be supplemented to include the following:

California Business & Professions Code Sections 20000 through 20043 provides rights to the franchisee concerning termination or nonrenewal of a franchise. If the Area Representative Agreement contains a provision that is inconsistent with the California Business & Professions Code Sections 20000 through 20043, the California Business & Professions Code Sections 20000 through 20043 controls.

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

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The Area Representative Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

The Area Representative Agreement contains a provision requiring you to sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31312 voids a waive of your rights under the Franchise Investment Law (California Corporations Code Section 31000 through 31516).

The Area Representative Agreement require application of the law of the State of Missouri. This provision may not be enforceable under California law.

Section 31125 of the California Corporation Code requires the franchisor to give the franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to a solicitation of a proposed material modification of an existing franchise.

You must sign a release if you transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business Professions Code 2000 through 20043).

OUR WEBSITE IS WWW.MASSAGELUXE.COM. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT, ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF CORPORATIONS AT WWW.DBO.CA.GOV.

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 FRANCHISE DISCLOSURE DOCUMENT.

**AMENDMENT TO MASSAGE LUXE INTERNATIONAL, LLC
AREA REPRESENTATIVE AGREEMENT
REQUIRED BY THE STATE OF CALIFORNIA**

This Amendment shall pertain to franchises sold in the State of California and shall be for the purpose of complying with California statutes and regulations. Notwithstanding anything which may be contained in the body of the Area Representative Agreement to the contrary, each shall be amended as follows:

1. ~~The California Department of Business Oversight has imposed financial assurances based on our financial condition. For this reason, the initial franchise fees are to be escrowed. The initial franchise fees include fees and payments you make to us and our Affiliates for goods and services before you commence operating your Area Representative business. The initial franchise fees will be escrowed until all of our initial obligations to you have been fulfilled and the opening of your Area Representative business under the Area Representative Agreement. The escrow agreement is on file with the California Department of Business Oversight.~~

~~Notwithstanding the requirements of the Area Representative Agreement, due to the imposition of the financial assurances set forth above, you may be required to purchase products and services for the opening of the Area Representative business directly from our approved vendors instead of from us or our Affiliates until we have satisfied our pre-opening obligations. Thereafter, you will again be required to purchase these items and pay the fees from us or our Affiliates.~~

~~The parties have signed this Amendment as of the _____ day of _____,~~

~~FRANCHISEE:~~

~~FRANCHISOR:~~

~~MASSAGE LUXE INTERNATIONAL, LLC~~

~~By:~~

~~_____
Name
Title~~

~~_____
Name
Title~~

**EXHIBIT G
TO THE DISCLOSURE DOCUMENT
GENERAL RELEASE**

GENERAL RELEASE

THIS GENERAL RELEASE (the "General Release") is made by the undersigned (hereinafter "Releasor") for the benefit of Massage Luxe International, LLC, a Missouri limited liability company (hereinafter, "Franchisor"), on this ____ day of _____, 20____.

RECITALS:

WHEREAS, Releasor is a MassageLuXe area representative and operates a MassageLuXe area representation business (the "Franchised Business") pursuant to that certain Area Representative Agreement dated _____ (the "Franchise Agreement");

WHEREAS, Releasor desires to renew its franchise with Franchisor or desires Franchisor's consent to _____ in connection with the Franchise Agreement; and

WHEREAS, certain states require certain changes be made to this General Release specific to such state.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Releasor hereby agrees, covenants and promises as follows:

1. Releasor, on behalf of itself and each of the persons and entities described in Section 2 hereof, hereby absolutely and forever releases, remises and discharges Franchisor and each of the persons and entities described in Section 3 hereof, from any and all claims, demands, damages, liabilities, costs (including, but not limited to reasonable attorneys' fees, accounting fees or experts' fees, and the costs of litigation, arbitration or other proceedings), expenses, liens, losses, charges, audits, investigations, injunctions, orders, rulings, subpoenas, controversies, obligations, debts, loans, interest, dues, accounts, awards, reckonings, bonds, bills, covenants, promises, undertakings, variances, trespasses, judgments, executions, sums of money owed, arbitrations, suits, decisions, proceedings, verdicts entered, issued, made or rendered and causes of action of every kind and nature whatsoever, whether now known or unknown, suspected or unsuspected, which Releasor now has, owns or holds, or at any time heretofore ever had, owned or held, or could, shall or may hereafter have, own or hold, pertaining to, arising out of or in connection with the Franchise Agreement, any related agreements or the franchisor franchisee relationship between Releasor and Franchisor. Notwithstanding the foregoing, if this General Release is entered into in conjunction with the renewal, assignment or transfer of the Franchise Agreement, the foregoing release shall not apply to any liability under any state franchise law which governs this Release.

2. Releasor hereby understands and agrees that this General Release shall extend to and be binding upon any and all of Releasor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters. If more than one party shall execute this General Release, the term "Releasor" shall mean and refer to each of the parties executing this General Release, and all such parties shall be bound by its terms, jointly and severally.

3. Releasor hereby understands and agrees that this General Release shall extend to and inure to the benefit of Franchisor and any and all of Franchisor's past, present and future officers, directors, owners, employees, representatives, agents, trustees, successors, affiliates and assigns, and their respective insurers and underwriters.

4. Releasor hereby understands and agrees that this General Release supersedes any prior agreement, oral or written, with respect to its subject matter. Releasor understands and agrees that no representations, warranties, agreements or covenants have been made by Franchisor with respect to this General Release, other than those expressly set forth herein, and that in executing this General Release, Releasor is not relying upon any representations, warranties, agreements or covenants not expressly set forth in this General Release.

5. This General Release may not be changed except in a writing signed by the person(s) against whose interest such change shall operate. This General Release and all acts and transaction under it shall in all respects be interpreted, enforced and governed by the internal laws of the state in which Franchisor's principal place of business is located without regard to principles of conflicts of law

6. If any provision of this General Release is found or declared invalid or unenforceable by any arbitrator, court or other competent authority having jurisdiction, such finding or declaration shall not invalidate any other provision hereof and this General Release shall thereafter continue in full force and effect except that such invalid or unenforceable provision, and (if necessary) other provisions hereof, shall be reformed by such arbitrator, court or other competent authority so as to effect insofar as is practicable, the intention of the parties set forth in this General Release, provided that if such arbitrator, court or other competent authority is unable or unwilling to effect such reformation, the invalid or unenforceable provision shall be deemed deleted to the same extent as if it had never existed.

7. Releasor hereby certifies that Releasor has read all of this General Release and fully understands all of the same, and that Releasor has executed this General Release only after having received full legal advice and disclosure as to Releasor's rights from legal counsel of Releasor's choice.

IN WITNESS WHEREOF, each Releasor party hereto has executed this General Release effective as the day and year first above written.

Dated: _____

FRANCHISEE:

[CORPORATION, LLC OR PARTNERSHIP:]

By: _____

Printed Name: _____

Title: _____

[INDIVIDUAL FRANCHISEE OR OWNER(S):]

Signature: _____

Printed Name: _____

Signature: _____

Printed Name: _____

EXHIBIT H
TO THE DISCLOSURE DOCUMENT
RECEIPT

RECEIPT

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

If Massage Luxe International, LLC offers you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, if applicable, Massage Luxe International, LLC must provide this disclosure document to you at the earlier of your 1st personal meeting to discuss the franchise or 14 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. Under Michigan law, if applicable, Massage Luxe International, LLC must provide this disclosure document to you at least 10 business 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. Under New York law, if applicable, Massage Luxe International, LLC must provide this disclosure document to you at the earliest of your 1st personal meeting to discuss the franchise or 10 business 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.

If Massage Luxe International, LLC, does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any governing state agency.

The franchise seller is _____, located at _____,
_____, with telephone number _____.

The issuance date is March 30, ~~2018~~2019. See **Exhibit D** for a list of our registered agents authorized to receive service of process.

I received a disclosure document dated March 30, ~~2018~~2019, that included the following exhibits:

- | | |
|---|---|
| A. Area Representative Agreement | E. List of Franchisees |
| B. Operations Manual Table of Contents | F. State Specific Addenda for FDD and Area Representative Agreement |
| C. Financial Statements | G. Sample General Release |
| D. State Administrators and Agents for Service of Process | H. Receipt |

Signature: _____

Date: _____

Printed Name: _____

Individually and as an officer of _____

(a _____ corporation)

(a _____ partnership)

(a _____ limited liability company)

(Your Copy. Sign, Date and Retain)

RECEIPT

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| D. State Administrators and Agents for Service of Process | H. Receipt |

Signature: _____

Date: _____

Printed Name: _____

Individually and as an officer of _____

(a _____ corporation)

(a _____ partnership)

(a _____ limited liability company)

**(Our Copy, Sign, Date and Return to Dave Ruzicka, Massage Luxe International, LLC, 11
Champion Drive, Fenton, MO 63026 or by facsimile at (636) 651-3513)**