

FRANCHISE DISCLOSURE DOCUMENT



SPA 810 L L C
An Arizona limited liability company
7950 E Redfield Road, Suite 280
Scottsdale, Arizona 85260
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Website www.SPA810.com
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Spa 810 L L C offers franchises for the operation of a business that provides cosmetic laser and skin services, CoolSculpting, aesthetics and massage to the general public, and sells related products and services

The total investment necessary to begin operation of a SPA 810 franchise ranges from \$566,700 to \$935,200. This includes \$67,600 to \$74,000 that must be paid to us and our affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the franchisor at 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260 or by phone at (480) 307-9377.

The terms of your contract will govern your franchise relationship. Don't rely on the Disclosure Document alone to understand your contract. Read all of your contract carefully. Show your contract and this Disclosure Document to an advisor, like a lawyer or 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 (the "FTC"). You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, DC 20580. You can also visit the FTC's home page at www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date September 13, 2018

STATE COVER PAGE

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

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

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

Please consider the following RISK FACTORS before you buy this franchise.

1 THE FRANCHISE AGREEMENT REQUIRES THAT ALL DISAGREEMENTS BE SETTLED BY MEDIATION, ARBITRATION OR LITIGATION IN ARIZONA. OUT-OF-STATE MEDIATION, ARBITRATION OR LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO MEDIATE, ARBITRATE OR LITIGATE WITH US IN ARIZONA THAN IN YOUR HOME STATE.

2 THE FRANCHISE AGREEMENT STATES THAT ARIZONA 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 YOUR SPOUSE MUST SIGN A DOCUMENT WHICH MAKES YOUR SPOUSE LIABLE FOR YOUR FINANCIAL OBLIGATIONS UNDER THE AGREEMENT, EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE BUSINESS. THIS PLACES BOTH YOUR AND YOUR SPOUSE'S MARITAL AND PERSONAL ASSETS, INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

4 THE FRANCHISOR'S FINANCIAL STATEMENTS SHOW THAT ITS LIABILITIES EXCEED ITS ASSETS. THIS MEANS THAT THE FRANCHISOR MAY NOT HAVE THE FINANCIAL RESOURCES TO PROVIDE SERVICES OR SUPPORT TO YOU.

5 AS PER THE AUDITED BALANCE SHEET DATED DECEMBER 31, 2017, THE FRANCHISOR HAD A WORKING CAPITAL DEFICIENCY OF (\$3,304,810).

6 THE FRANCHISOR'S AUDITED FINANCIAL STATEMENTS DATED DECEMBER 31, 2017 REFLECT THAT CURRENT LIABILITIES EXCEED CURRENT ASSETS, AND NEGATIVE EQUITY OF \$3,277,282. THIS MEANS THAT THE FRANCHISOR MAY NOT HAVE THE FINANCIAL RESOURCES TO PROVIDE SERVICES OR SUPPORT TO YOU.

7 THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM \$566,700 TO \$935,200. THIS AMOUNT EXCEEDS THE FRANCHISOR'S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2017, WHICH IS (\$3,277,282).

8 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

Effective Date _____, 2018

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ITEM 1

FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Disclosure Document, “we,” “us” and “the Company” mean Spa 810 L L C - the franchisor “You” means the person who buys a SPA 810 franchise - the franchisee, and includes your partners if you are a partnership, your shareholders if you are a corporation, and your members if you are a limited liability company

Corporate Information

We are an Arizona limited liability company that was formed on April 2, 2012 We do not do business under any names other than “Spa 810 L L C”, “SPA 810” and “spa810” Our principal business address is located at 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260 and our telephone number is (480) 307-9377 Our agent for service of process is disclosed in EXHIBIT "B" to this Disclosure Document

Business History

We began offering SPA 810 franchises and area representative franchises in September 2012 We have never offered franchises in any other line of business

SPA 810 area representative franchises are offered under a separate Disclosure Document Area representatives are authorized to solicit, screen and support franchisees If you purchase a franchise within an area representative’s territory, the area representative may provide you with certain initial and ongoing support

We have not operated a business similar to a SPA 810 business However, our affiliates co-owned and co-operated SPA 810 businesses from 2012 until the end of 2016 We have never operated an area representative business

Parents, Affiliates and Predecessors

We do not have any predecessors Our parent company is Phoenix Global Consulting Services, Inc (“PGCI”) PGCI’s principal business address is 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260 We do not have any affiliates that either (i) offer franchises in this or any other line of business or (ii) provide products or services to our franchisees

Description of Franchised Business

Under your SPA 810 franchise (referred to in this Disclosure Document as your “Business” or your “Center”), you will establish and operate a business that provides cosmetic laser and skin services, CoolSculpting, aesthetics and massage to the general public, and sells related products and services

We will grant you a license to use certain logos, service marks and trademarks, including the service mark “SPA 810” (collectively, the “Marks”) in the operation of your Business The “Marks” also include our distinctive trade dress used to identify a SPA 810 business, whether now in existence or created in the future You must sign a franchise agreement (the “Franchise Agreement”) and operate your Center in accordance with the terms of the Franchise Agreement The form of Franchise Agreement is attached to this Disclosure Document as EXHIBIT "C"

We have developed a distinct system (the “System”) for the operation of a SPA 810 business Distinctive characteristics of the System include logo, trade secrets, distinct products and services, confidential manuals and operating system The operational aspects of a SPA 810 franchise are contained within our confidential Brand Standards Manual (the “Manual”) You will operate your SPA 810 franchise as an independent business using the Marks, the System, the SPA 810 name, as well as the support, guidance and other methods and materials provided or developed by us

Market and Competition

The target market for SPA 810 customers includes members of the general public. SPA 810 services are not seasonal in nature. The market for the goods and services offered by SPA 810 businesses is well developed and highly competitive. SPA 810 businesses compete with other businesses, including franchised operations, national chains, spas, health clubs, resorts, and independently-owned companies offering laser and skin services, facials, and similar services.

Laws and Regulations

You must comply with all federal, state and local laws and regulations that apply to the operation of your Business. You must secure and maintain in force all required licenses, permits and certificates relating to the operation of your Center.

Industry Specific Laws

In some states, your Center may be required to comply with laws and regulations relating to cosmetologists and esthetician licensing. There are state laws and regulations specific to providing massage and facial services. There may also be local and state agencies that regulate the provision of laser and facial services in your area. It is important that you comply with all laws and regulations in this area and that you become educated regarding laser and facial services and requirements. Some of these laws and regulations may require special certification, licensing, and registration before you can begin providing laser and facial services. Some states require that lasers may only be used in medical facilities under direct physician supervision. You must ensure that only licensed therapists and estheticians perform any services for which a license or specialized training is required in your state. There may be other federal, state, and/or local laws or regulations pertaining to your Center with which you must comply. For example, state licensing and certification requirements may apply to persons who perform services for you or at your Center, and certain states require the purchase of bonds to operate a Center that offers prepaid membership services. You are responsible for obtaining any such bond. In some jurisdictions, you may be required to have the supervision of a doctor or medical professional. In all cases, you must comply with all applicable laws.

Health Club / Health Spa Laws

Some state consumer protection laws and regulations cover contracts for the provision of spa services, including laws governing health clubs or health spas. These laws and regulations may require you to include certain language in contracts with your members. They may also permit members to withdraw from the program and receive a refund if they request it within a certain number of days after entering the program.

Advertising

Some states also have laws regulating advertising and how you may advertise members' results and products in various media. Some states may also limit the trade names that you may use. You are strictly prohibited from publishing any advertising, testimonials, or claims without our prior written approval.

Building Health and Workplace Laws

Each SPA 810 business must comply with all applicable federal, state, county and municipal building codes and handicap access codes as well as laws restricting smoking in public places, the public posting of notices regarding health hazards, fire safety and general emergency preparedness, rules regarding the proper use, storage and disposal of hazardous waste and materials, and other building, fire and health standards. In addition, you must operate your Business in full compliance with all applicable workplace laws, ordinances and regulations, including governmental regulations relating to occupational hazards, health, the Equal Employment

Opportunity Commission (EEOC), the Occupational Safety & Health Administration (OSHA), discrimination, employment, sexual harassment, worker's compensation and unemployment insurance and withholding and payment of federal, state and local income taxes, social security taxes and sales and use taxes

Healthcare Laws (If Applicable)

In most states SPA 810 products and services do not qualify as "medical" products or procedures. However, it is possible that under certain state laws (such as California), certain SPA 810 products or procedures (either now in existence or developed in the future) may be deemed "medical" products or procedures. If that is the case, and you are not a licensed healthcare professional authorized under state law to offer such medical products or procedures, then your Center may not offer such "medical" products or procedures to the extent prohibited by applicable law. Rather, you will offer all other SPA 810 products and services that are not deemed "medical" products or procedures.

Set forth below are examples of potential healthcare regulatory issues that you should research to determine their application to the operation of your Center (if SPA 810 products or procedures are deemed "medical" in nature under the laws of your state). It is ultimately your responsibility to investigate all general and special laws in the jurisdiction of your franchise, and we strongly advise you to consult with an attorney and contact federal, state and local agencies before signing a Franchise Agreement with us in order to determine your legal obligations and evaluate the possible effects on your costs and operations.

Corporate Practice of Medicine

Under the laws of some states, certain alternative healthcare products or services may be considered medical procedures or may need to be administered or supervised by a licensed medical professional. If you operate in one of these states, you must either (i) cease offering the products or procedures that qualify as medical procedures or (ii) comply with all laws governing the corporate practice of medicine (which may limit ownership of the franchise to individuals who are licensed healthcare professionals or may require that a licensed healthcare professional hold a minimum level of ownership in the franchise).

Privacy and Security of Patient Records

Various federal and state laws regulate the privacy and security of patient healthcare information. For example, under the federal Health Insurance Portability and Accountability Act (HIPAA), as amended by the federal Health Information Technology for Economic and Clinical Health (HITECH) Act, healthcare professionals have certain legal obligations to keep patient healthcare information confidential, and are also required to disclose that information to patients and third parties when requests are properly submitted. In addition, you must ensure the privacy and security of patient healthcare information you share with any "business associate" as defined under the HITECH Act, such as service providers, attorneys, or third-party billing companies. Note that many states also have laws regulating the privacy and security of patient healthcare information and these laws may impose even greater restrictions and obligations on your business regarding the privacy and security of patient healthcare information.

There may be other local, state and/or federal laws or regulations pertaining to your Business with which you must comply. We strongly suggest that you investigate these laws before buying this franchise.

ITEM 2 BUSINESS EXPERIENCE

Chief Executive Officer & Founder John Dunatov

Mr. Dunatov is our Founder and has served as our Chief Executive Officer in Scottsdale, Arizona since our inception in August 2012. Mr. Dunatov is also the director of PGCI in Phoenix, Arizona and has been so since

April 2012 From September 2009 to the present, Mr Dunatov has served as the manager for PGCi in Phoenix, Arizona

Vice President of Operations Nycole Gonsalves

Ms Gonsalves has served as our Vice President of Operations since May 2017 Ms Gonsalves previously served as Director of Operations from October 2016 to May 2017 and a Compliance Officer from September 2016 to October 2016 From November 2015 to July 2016, Ms Gonsalves was an Executive Assistant for RXR Consulting in Scottsdale, Arizona From May 2015 to November 2015, Ms Gonsalves was an Assistant for Illuminar Metabolic Health in Scottsdale, Arizona From February 2014 to May 2015, Ms Gonsalves was the Director of Franchise Training for Pure Vanity, L L C in Scottsdale, Arizona From March 2013 to February 2014, Ms Gonsalves was the Director of Franchise Training for RedLine Athletics Franchising, L L C in Scottsdale, Arizona

Area Representatives

The name and business experience of each of our regional developers is disclosed in EXHIBIT "I"

ITEM 3 LITIGATION

Henry & Malone v John Dunatov, Timothy Reilly and Kanna Reilly, Case No 15-2115 (filed June 30, 2014)

On or about June 30, 2014, Angela Henry and Jerome Malone filed a Petition in the District Court of Harris County, Texas, Case alleging fraud against John Dunatov, Timothy Reilly, and Kanna Reilly relating to various allegations of representations made by the defendants related to the entry of a regional developer agreement between plaintiffs and SPA 810 L L C The plaintiffs sought unspecified damages and attorney fees At a court ordered mediation, the parties settled the lawsuit whereby Spa 810 and John Dunatov agreed to pay the Plaintiffs \$275,000 over time according to the terms of a promissory note According to the settlement agreement, the suit would be dismissed upon payment of the initial \$80,000 installment and the signing of a formal release and settlement agreement

Angela Henry et al v Spa810, LLC et al , Case No 4 17-cv-00517 (filed February 17, 2017)

On February 17, 2017, Plaintiffs filed another suit against Spa810 John Dunatov, Timothy Reilly, and Kanna Reilly for fraud, breach of contract and negligent misrepresentation relating to Defendants' failure to make all required payments under the terms of the settlement agreement discussed above, despite assurances the payments would be made Plaintiffs had previously settled a dispute between them, and executed a settlement agreement calling for payments over a period of time After making several payments totaling \$110,000, Spa810 was unable to make further payments The suit was filed in the United States District Court for the Southern District of Texas, Houston Division The Plaintiffs sought \$450,000 in actual damages After the Defendants failed to respond to the lawsuit, default judgment was entered against the Defendants on June 14, 2017 in the amount of \$450,000 (with post-judgment interest) together with attorneys' fees in the amount of \$12,500

CH Retail Funds I/Dallas Greenville S&S L P v Henry James Melton and Spa 810, LLC, Case No DC-16-16356 (filed July 14, 2017)

On July 14, 2017, Plaintiffs filed a lawsuit for breach of contract against Henry James Melton (a Spa 810 area representative) and Spa 810, LLC (as guarantor of the lease) for failure to pay rent and other amounts owed under a lease for a Spa 810 location in which the franchisor and area representative were joint venture partners The suit was filed in the District Court of Dallas County, Texas, 193rd Judicial District The Complaint seeks unspecified damages for past due rent, actual damages, attorney's fees and costs together with pre-judgment and

post-judgment interest in an unspecified amount of over \$200,000 but less than \$1,000,000. The case is currently pending.

Bright Oak Studio LLC v. Spa 810 LLC and Does 10 through 100, Case No. 30-2017-00912184-CL-CO-CJC (filed April 3, 2017)

On April 3, 2017, Plaintiff Bright Oak Studio LLC filed suit against Spa 810 LLC for failure to pay rent and other amounts owed under a lease for a Spa 810 location in which the franchisor and area representative were joint venture partners. The suit was filed in the California Superior Court, Orange County. Spa 810 LLC did not respond to the complaint and judgment was entered against Spa 810 LLC on June 8, 2017 in the amount of \$26,100.58.

American Business Alliance Inc. v. Spa 810 LLC, Case No. 16-2-09308-1 (filed June 23, 2016)

On June 23, 2016, Plaintiff American Business Alliance Inc. filed suit against Spa 810, LLC for breach of contract and unjust enrichment for failure to pay commissions owed under the terms of a Referral Agreement dated May 14, 2015. The Referral Agreement related to the referral of prospects to purchase Spa 180 franchises. The suit was filed in Superior Court in the State of Washington, Pierce County. Plaintiff received a judgment against Spa 810 LLC in the amount of \$78,392.60 and Plaintiff is seeking enforcement of the judgment through garnishment. A Writ of Garnishment and Summons for the judgment amount plus interest, in the total amount of \$72,126.89, was filed in Superior Court of the State of Arizona for the County of Maricopa on November 17, 2016 and was assigned Case No. CV2016-013799.

Timothy Reilly and Kanna Reilly v. PGCI, John Dunatov and Branka Dunatov, Case No. CV2014-00757 (filed April 18, 2014)

On April 18, 2014, Timothy Reilly and Kanna Reilly, husband and wife, filed a Complaint in the Superior Court of the State of Arizona in Maricopa County alleging breach of contract against PGCI, breach of guaranties against John Dunatov, and defamation/libel against John Dunatov. The plaintiffs were seeking repayment of certain promissory notes totaling \$25,000 plus their costs and fees from John Dunatov and PGCI, alleging that PGCI defaulted on loans made by the plaintiffs to PGCI. The plaintiffs were also seeking unspecified damages in the defamation/libel claim against John Dunatov and claimed that John Dunatov, in his role at the time as co-manager of SPA 810 LLC, made defamatory or libelous statements about the plaintiffs in their role as co-owners of SPA 810 LLC. On June 27, 2014, the parties reached a global settlement agreement which resolved all claims between the parties, PGCI purchased the plaintiffs' interests in SPA 810 LLC for \$525,000, and included a mutual release of all claims by the parties. The global settlement agreement also resolved all issues in the arbitration claim listed immediately below. The lawsuit was dismissed with prejudice on July 9, 2014.

GOTK Enterprises, LLC and Timothy Reilly v. PGCI and John Dunatov, Case No. 2014-054711 (filed on April 17, 2014)

On April 17, 2014, GOTK Enterprises, LLC and Timothy Reilly filed a demand for arbitration with the American Arbitration Association alleging breach of the operating agreement of SPA 810 LLC by John Dunatov in his capacity as manager of SPA 810, LLC, and against John Dunatov in his capacity as the then-owner of PGCI, which owned a 50% interest in SPA 810 LLC. The demand for arbitration also included a claim against John Dunatov for breach of fiduciary duties in the same capacity, and a claim for arbitration of deadlock of the Operating Agreement of SPA 810 LLC by John Dunatov in his capacity as manager of SPA 810 LLC. The claimants sought arbitration of a deadlock under the Operating Agreement of SPA 810 LLC, as well as unspecified damages and attorney fees. On or about June 27, 2014, the parties reached a global settlement agreement which resolved all claims between the parties. PGCI purchased the plaintiffs' interests in SPA 810 LLC for \$525,000, and included a mutual release of all claims by the parties. The global settlement

agreement also resolved all issues in the lawsuit listed immediately above. The arbitration was dismissed on or about July 9, 2014.

Ozark Business Advisors LLC dba Transworld Business Advisors of Northwest AR v Spa810 LLC, Case No 04CV-18-1652 (filed on June 6, 2018)

On June 6, 2018 Ozark Business Advisors, LLC d/b/a Transworld Business Advisors of Northwest Arkansas filed a complaint against Spa 810 LLC with the Circuit Court of Benton County, Arkansas. The lawsuit alleges that we failed to pay commissions due to the Plaintiff with respect to the sale of a franchise brokered by the Plaintiff. Plaintiff alleges breach of contract and unjust enrichment and is seeking an amount to be determined at trial plus pre- and post-judgment interest, costs, attorney's fees and other relief. The defendants have not accepted service and the litigation has been stayed as a result of the bankruptcy proceeding regarding Spa 810, LLC and disclosed in Item 4.

CJS Pinnacle LLC v Phoenix Global Consulting Services, Inc., Spa 810 LLC, John Dunatov and Bianca Dunatov, Case No CV2-18-001828 (filed on February 21, 2018)

On February 21, 2018, CJS Pinnacle LLC (as assignee of the estate of Charles Speros) filed a lawsuit in the Arizona Maricopa County Superior Court. Plaintiff alleges that John Dunatov, Bianca Dunatov and Phoenix Global Consulting Services, Inc. (which is a member of Spa 810 LLC) executed two promissory notes in favor of Charles Speros and that the borrowers defaulted on their payment obligations under both promissory notes. The complaint alleges breach of contract and seeks to foreclose on the security interests granted in certain of the borrower's assets to secure payments under the promissory notes (including Phoenix Global Consulting Services, Inc.'s membership interest in Spa 810, LLC). The Complaint is also seeking to require Spa 810, LLC to disclose certain financial and other records pertaining to the borrower's membership interest in Spa 810, LLC as well as distributions made to members. Plaintiffs are seeking (i) \$442,858.33 in compensatory damages against the borrowers (Spa 810, LLC is not a borrower) plus accrued interest with respect to the first promissory note, (ii) \$244,943.33 against the borrowers (Spa 810, LLC is not a borrower) plus accrued interest with respect to the second promissory note, (iii) a declaratory judgment regarding the Plaintiff's rights to the collateral under the security agreements, (iv) an order requiring all defendants to produce all books and records relating to Spa 810 as requested by Plaintiff, and (v) recovery of attorney's fees.

Other than these actions, no litigation is required to be disclosed in this Item.

EXHIBIT "I" to this Disclosure Document includes any litigation that is required to be disclosed with respect to our area representatives.

California law requires additional disclosures related to the information contained in Item 3. These additional disclosures appear in the California Addendum that is attached to this Disclosure Document as EXHIBIT "J".

ITEM 4 BANKRUPTCY

Phoenix International Inc. (Case No. 2:07-bk-03031-DPC))

Our Chief Executive Officer and Founder, John Dunatov, was formerly the President of a company named Phoenix International Inc. Phoenix International Inc. filed a Chapter 7 voluntary petition in the United States Bankruptcy Court for the District of Arizona on June 27, 2007. The debtor's principal address is 7950 E Redfield Rd, Suite 210, Scottsdale, Arizona 85260. The court discharged the debts on April 10, 2013.

In re Spa 810, LLC Case No 2 18-bk-06718-DPC

Spa 810, LLC (the franchisor) filed a Chapter 11 voluntary petition in the United States Bankruptcy Court for the District of Arizona on June 11, 2018. The debtor's principal address is 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260.

Other than the 2 bankruptcies listed above, no bankruptcy information is required to be disclosed in this Item.

EXHIBIT "I" to this Disclosure Document includes any bankruptcy information that is required to be disclosed with respect to our area representatives.

ITEM 5 INITIAL FEES

Initial Franchise Fee

You will pay a \$45,000 franchise fee for your franchise. The entire initial franchise fee is payable in full at the time you sign the Franchise Agreement. The initial franchise fee is not refundable under any circumstances. All initial franchise fees are uniform and fully earned.

Project and Construction Management Services

At the time you sign the Franchise Agreement, you must pay us a project and construction management services fee that ranges from \$22,500 to \$28,500 (includes travel and lodging expenses between \$3,000 and \$4,500). We may also have you pay this fee directly to third party suppliers for assistance with the management and supervision of the construction of your Center. This assistance may include site selection, lease negotiation, coordination of initial unit design, supervision of architect and supervision and selection of general contractor. The purchase price is uniformly imposed and non-refundable.

POS Support System

Before opening, you must pay us a fee ranging from \$100 to \$500 for the support provided by our technicians to customize or modify your POS support system. This fee is uniformly imposed and non-refundable.

ITEM 6 OTHER FEES

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty Fee ¹	7% of Gross Revenues ²	Due every other Friday for immediately preceding 2-week period	You must send us weekly reports of your Gross Revenues unless we automatically generate reports of Gross Revenues via your POS system.
Brand and System Development Fund Fee ¹	Up to 2% of Gross Revenues (currently 1% of Gross Revenues)	Same as royalty fee	See Note 3
Cooperative Advertising Fee ¹	Not Currently Charged (amount to be determined by cooperative)	Same as royalty fee	See Note 4
Training Fee ¹	Up to \$500 per person per day plus expenses	10 days after invoice	See Note 5

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Conference Registration Fee ¹	Up to \$500 per person per day	10 days after invoice	See Note 6
Technology Fee ¹	Varies (currently \$195 per month plus \$10 per email license beyond 4 email addresses provided at no additional charge)	10 days after invoice	See Note 7
Mystery Shopper / Quality Assurance Program Expense ¹	Varies	10 days after invoice	See Note 8
Marketing Materials, Equipment, Supplies and Inventory ¹	Varies depending on item purchased	At time order placed	At this time we do not sell these items to franchisees but we reserve the right to do so in the future
Audit Fee ¹	Actual cost of audit (including travel and lodging expenses for audit team) (estimated to range from \$1,000 to \$15,000)	10 days after invoice	Payable only if the audit (i) reveals that you have understated any amount that you owe us by at least 2% or (ii) is necessary because you fail to furnish required information or reports to us in a timely manner
Fines ¹	Up to \$500 per incident	Upon demand	Payable if you fail to comply with a mandatory standard or operating procedure (including failure to submit reports on timely basis or offering unauthorized products or services) and you do not cure the non-compliance within the time period we require. We will deposit all fines into the brand and system development fund.
Relocation Fee ¹	\$5,000	When relocation approved	You must pay us this fee if you request to relocate your Center and we approve your request.
Renewal Fee ¹	25% of then current initial franchise fee	At time you sign Renewal Agreement	None
Transfer Fee ¹	25% of then-current initial franchise fee plus costs / fees for training	Before transfer	Payable when you transfer or sell your franchise. No charge if franchise transferred to an entity that you control or for certain transfers of ownership interests between existing owners.
Late Fee ¹	\$100 plus lesser of 18% of amount past due or highest rate allowed by applicable law	10 days after invoice	We may also charge an insufficient funds fee of \$100 for each occurrence where a check or EFT payment is rejected due to insufficient funds, stop payment or any similar event.

TYPE OF FEE	AMOUNT	DUE DATE	REMARKS
Management Fee ¹	Commercially reasonable rate (currently \$200 per day plus costs and expenses)	10 days after invoice	If you default under the Franchise Agreement or the Managing Owner dies, we can designate a temporary manager to manage your Business until you cure the default or find a replacement Managing Owner, as applicable
Indemnification ¹	Will vary with circumstances	10 days after invoice	You must indemnify and reimburse us for any damages, losses or expenses we incur as a result of the operation of your Business or your breach of the Franchise Agreement
Attorneys' Fees and Costs	Will vary with circumstances	Upon demand	You must reimburse us for all attorneys' fees and other costs we incur relating to your breach of any term of the Franchise Agreement or any other agreement with us or our affiliates
New Product or Supplier Testing ¹	Cost of testing (estimated to range from \$100 to \$500)	10 days after invoice	This covers the costs of testing new products or inspecting new suppliers you propose
Insurance ¹	Actual cost we incur plus 20% administrative fee	10 days after invoice	If you fail to obtain and maintain the insurance we require, and we elect to do so on your behalf, you must reimburse us and pay us the administrative fee

NOTES

(1) All fees are imposed by and are payable to us except that we may collect the cooperative advertising fee and transfer these funds to the applicable advertising cooperative. All fees are non-refundable and uniformly imposed on franchisees. You will be required to sign an ACH Authorization Form (attached to the Franchise Agreement as ATTACHMENT "E"), permitting us to electronically debit your designated bank account for payment of all fees payable to us (other than the initial franchise fee) as well as any amounts that you owe to us or our affiliates for the purchase of goods or services. You must deposit all Gross Revenues into the bank account and ensure that there are sufficient funds available for withdrawal before each due date. You must pay us all taxes that are imposed upon us or that we are required to collect and pay by reason of the furnishing of products, intangible property (including trademarks) or services to you. If you pay any amount to us by credit card, we may charge you an additional 4% of the total charge as a service charge.

(2) "Gross Revenues" means the total selling price of all services and products sold at, from, or through your Business, whether or not sold or performed at or from the Center, including the full redemption value of any gift certificate or coupon sold for use at the Center (fees retained by or paid to third party sellers of such gift certificates or coupons are not excluded from this calculation), and all income and revenue of every other kind and nature related to the Business operation, whether for cash or credit and regardless of collection in the case of credit (See Franchise Agreement, Definitions section, for a complete definition of Gross Revenues).

(3) We have established and maintain a brand and system development fund to promote public awareness of our brand and improve our System. You will have no voting rights pertaining to the administration of the fund, the creation and placement of the marketing materials or the amount of the required contribution. We may increase the required contribution upon 30 days prior notice (but the maximum contribution will not exceed 2% of Gross Revenues). In addition to your contributions to the brand and system development fund, you must spend at \$3,500 per month on local advertising (your "Local Marketing Commitment"). We may require that you directly pay our designated marketing supplier up to 75% (\$2,625) of your Local Marketing Commitment on the first (1st) day of each month for purposes of conducting marketing on your behalf. If you fail to spend the required \$42,000 Local Marketing Commitment over the course of a year (or prorated portion

of a year during your first and last year of the Term), we may require that you pay us the difference between \$42,000 and the amount you actually spent

(4) We may establish regional advertising cooperatives for purposes of pooling advertising funds to be used in discrete regions. We will collect the cooperative advertising fees and remit these fees to the applicable advertising cooperative (unless we administer the advertising cooperative ourselves). The amount of the cooperative advertising fee may be adjusted (or temporarily suspended) upon the majority vote of all franchisees within the advertising cooperative. Any SPA 810 business that we operate will have the same voting power as third party franchisees. If we own the majority of SPA 810 businesses within an advertising cooperative, we will not increase the cooperative advertising fee without the consent of a majority of all third-party franchisees within the advertising cooperative. All cooperative advertising fees will be uniformly imposed on all franchisees within the advertising cooperative, including any SPA 810 business that we operate. All cooperative advertising fees that you pay will be credited towards your Local Marketing Commitment.

(5) Before you open, we will provide our initial training program at no additional charge for your Managing Owner and initial management personnel. You must pay us a training fee of up to \$500 per person per day for (i) each person that attends our initial training program after you open your Business (such as new Managing Owners or managers), (ii) any person who must retake training after failing to successfully complete training on a prior attempt, (iii) any remedial training that we require based on your operational deficiencies, (iv) each person to whom we provide additional training that you request, and (v) each person who attends any system-wide or additional training that we conduct. If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging. You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee the \$500 per person per day training fee for each of the transferee's owners and employees that attend our initial training program.

(6) We may hold periodic national or regional conferences or conventions to discuss business and operational issues affecting SPA 810 franchisees. Attendance at these conferences is mandatory. We may charge you this fee for each person that is required to attend even if such person(s) fail to attend. You are also responsible for all expenses and costs that the conference attendees incur, including wages, travel and living expenses.

(7) Our current technology fee covers certain technologies used in the operation of your Business, including the monthly maintenance and support of the POS software as well as the additional email licenses you may require. We reserve the right to enter into a master license agreement with any software or technology supplier and sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. We also reserve the right to develop proprietary software or technology that must be used by SPA 810 franchisees, in which case we may require that you enter into a license agreement with us and pay us reasonable initial and ongoing licensing, support and maintenance fees. We can change the software and technology that must be used by our franchisees at any time.

(8) We reserve the right to engage the services of one or more "mystery shoppers" or quality assurance inspection firms for purposes of inspecting SPA 810 businesses for quality control purposes. These inspections may address a variety of issues, including customer service, sanitation, inventory rotation, etc. If we implement such a program, we intend to utilize the program for all SPA 810 businesses, including businesses owned by us and our affiliates. Franchisees may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which case all franchisees must pay their proportional share of the total fee based on the number of open businesses owned by the franchisee as compared to the total number of all open SPA 810 businesses at the time of the program (including company and affiliate-owned businesses). We agree to pay our proportionate share of these costs with respect to each SPA 810 business that is owned by us or our affiliates. We do not mark up these fees.

or retain any portion of the amounts that you pay to us for our mystery shopper / quality assurance program

ITEM 7 ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee	\$45,000	Lump sum	At time you sign Franchise Agreement	Us
Food, Lodging & Travel (2 people while training)	\$2,500 to \$5,000	As incurred	During training	Hotels, restaurants and airlines
Lease Deposit & 3 Months' Rent ²	\$16,000 to \$40,000	Lump sum	Monthly (with security deposit paid before opening)	Landlord
Architectural Plans	\$6,000 to \$9,000	As incurred	Before opening	Architect
Build Out & Improvements ³	\$35,000 to \$250,000	As incurred	Before opening	Architects, contractors, suppliers
Project and Construction Management Services ⁴	\$22,500 to \$28,500	As agreed	Before opening	Us and/or third party vendors
Signage ⁵	\$8,500 to \$10,000	Lump sum	Before opening	Suppliers
Decorating, Furniture & Furnishings ⁶	\$8,000 to \$24,000	As incurred	Before opening	Suppliers
Computer and POS System ⁷	\$9,000 to \$16,000	Lump sum	Before opening	Suppliers
POS Support System	\$100 to \$500	As incurred	Before opening	Us
Credit Card Processing Device for Front Desk	\$500 to \$1,500	Lump sum	Before opening	Suppliers
Microsite Setup	\$500 to \$1,500	As incurred	Before opening	Suppliers
SEO Package	\$600 to \$2,200	As incurred	Before opening	Suppliers
CoolSculpting Equipment (plus tax and shipping) ⁸	\$136,500	Lump sum	Before opening	Suppliers
Franchise Equipment Package (Professional Equipment) ⁹	\$155,500 to \$175,500	Lump sum	Before opening	Suppliers
Other Equipment ¹⁰	\$12,000 to \$19,500	As incurred	Before opening	Suppliers
Initial Supply of Inventory ¹¹	\$33,000 to \$40,000	Lump sum	Before opening	Suppliers
General Startup Supplies ¹²	\$5,000 to \$7,500	As incurred	Before opening	Suppliers
Soft Opening Advertising Program and Startup Marketing ¹³	\$15,000 to \$20,000	As incurred	Before opening	Suppliers
Utility Deposits & Business Licenses	\$1,500 to \$2,000	As incurred	Before opening	Utility companies and government agencies
Professional Fees	\$500 to \$2,000	Lump sum	Before opening	Lawyers & accountants

YOUR ESTIMATED INITIAL INVESTMENT				
TYPE OF EXPENDITURE	AMOUNT ¹	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Human Resource Manuals and Human Resource Support Services ¹⁴	\$1,500 to \$2,500	As incurred	Before opening	Suppliers
Insurance ¹⁵	\$1,500 to \$2,500	Lump sum	Before opening	Insurance companies
Marketing Reserve (3 month period after opening)	\$10,500 to \$14,000	As incurred	Before opening and 3 months after opening	Suppliers
Additional Funds (3 month period after opening) ¹⁶	\$40,000 to \$80,000	As incurred	As incurred	Suppliers and employees
Total Estimated Initial Investment ¹⁷	\$566,700 to \$935,200			

NOTES

(1) We do not offer direct or indirect financing for any of these items. None of the fees payable to us are refundable. We are unaware of any fees payable to third party suppliers that are refundable, although some landlords refund security deposits at the end of the lease if the tenant does not default.

(2) These figures presume that you will be leasing your premises. The expense of leasing will vary depending upon the size of the premises, its location, landlord contributions, and the requirements of individual landlords. We anticipate that most SPA 810 businesses will range in size from 2,000 to 2,800 square feet (with an average of 8 to 12 rooms). We estimate the rent will range from \$4,000 to \$10,000 per month, although your actual rent may vary significantly above or below this range depending on your area and the local market conditions. Landlords typically require security deposits equal to 1 or 2 months' rent and may, in addition, require payment in advance of the first and/or last (or more) month's rent. The total estimated initial investment shown in the chart above includes 1 month's security plus 3 month's rent. Some franchisees may prefer to own their business. The costs of purchasing a facility vary so widely that we cannot reasonably estimate the cost.

(3) This estimate does not include any construction allowances or tenant improvement allowances that may be offered by your landlord, and are based on a gray shell build-out. This estimate also includes set-up expenses that you will incur in building out your location, including all costs required to set up the equipment. The cost of leasehold improvements and build-out vary widely based upon a number of factors, including the size and condition of the premises, whether or not there are any existing leasehold improvements and whether the landlord will contribute to the cost of the improvements. Please note that tenant improvement costs will be assessed in each unit prior to you signing a letter of intent or lease.

(4) This estimate includes our affiliate's fee (which ranges from \$12,000 to \$18,000) and associated travel and lodging expenses (\$3,000 to \$4,500).

(5) The type and size of the signage you actually install will be based upon the zoning, property use requirements and any landlord imposed restrictions. There could be an occasion where signage is not permitted because of zoning or use restrictions.

(6) This estimate includes office furniture, lobby furniture, light fixtures, product shelves, appliances (washer and dryer), interior decorative items, and other items needed to decorate your Center.

(7) This estimate includes the cost of obtaining the required computer hardware, POS terminal hardware, networking equipment, installation of the computer and POS terminal hardware and networking equipment, and our required software

(8) This package includes 1 CoolSculpting Device (including applicators and consumables) and public training. You are required to offer CoolSculpting services, and you must purchase the package from Zeltiq

(9) You must purchase a "Franchise Equipment Package" of startup items. The Franchise Equipment Package will be delivered to your Center at a designated time in the build-out process prior to the opening of your Center and paid upon delivery and invoice. The Franchise Equipment Package includes the following equipment needed for 10 rooms: Venus Concepts Velocity LHR device, 2 Sybaritic Pods, up to 7 massage beds, a medical chair, a hot stone warmer, a hot stone box piece set (45 stones), a 3 Woods lamp, 3 microdermabrasion machines, 3 facial steamers/mag lamp combos, and rolling stools, towel warmers, steel carts, sheets, cradle covers, bed skirts, blankets, massage sheets, round bolsters for legs and neck for each room. All equipment must be new and must be ordered from the approved vendors immediately after the lease is signed. We will prepare all proposals for the equipment needed for your Center based on our experience and procedures to help ensure the timely release of materials to the Center. The cost of the Franchise Equipment Package plus CoolSculpting equipment ranges from \$292,000 to \$312,000, not including tax and delivery charges, depending on the size of your Center. If required, any tax or delivery payment is due at the same time you pay the vendor for your Franchise Equipment Package. In other cases, you may be required to pay these taxes directly to the appropriate taxing authority. The estimate included in the table above for these expenses ranges from \$5,500 to \$9,500. You, or a third party that you hire, will be required to install and assemble certain components of the Franchise Equipment Package. Franchise Equipment Package payments are not refundable under any circumstances. No used demonstration or used equipment may be purchased. If you operate in California and are not permitted by California law to offer laser services, you will be exempt from offering laser services and we will remove the laser from the Franchise Equipment Package (reducing the price to \$78,500 - \$98,500).

(10) This estimate includes the security deposits and service fees for your telecommunications system installation, scent machine, washer and dryer, music system, audio speakers, television for the spa lobby, spa water and tranquility room, snack/water area, music and security.

(11) You must purchase product lines that we specify. You may also purchase ancillary product lines approved by us in addition to the required product lines to support clients in different demographic areas.

(12) You must purchase start-up supplies, including general office supplies, uniforms, contracts, invoices, gift cards, robes, linens and other miscellaneous supplies, such as paper products and cleaning supplies.

(13) You must spend between \$15,000 and \$20,000 on a soft opening marketing campaign commencing when you sign the lease and continuing through 90 days after the soft opening of your Center. You must purchase start-up marketing supplies at least 2 months prior to the soft opening, which include promotional items, gift cards, business cards, menus, thank you cards, referral cards, laser checkout pads, facial check out pads, massage check out pads, window clings, A-Frame marketing, postcards, flyers, print inserts, co-op direct mail, email templates, promotional tent, banners, social media and media buying services and other miscellaneous items.

(14) You are responsible for all manuals and contracts related to human resource management at your Center. We strongly recommend that you hire a human resource support service to manage human resource issues at your Center.

(15) This is an estimate for 3 months of insurance. You must obtain and maintain, at your own expense, the insurance coverage that we periodically require, and satisfy other insurance-related obligations. If you have

had prior issues or claims from previous operations unrelated to the operation of a SPA 810 center, your rates may be significantly higher than those estimated above. You must have property insurance as required by the landlord as well as professional liability insurance. Insurance includes Workers Compensation, General Liability and Professional Liability.

(16) This estimates your expenses during the first 3 months of operation, including payroll costs (excluding any wage or salary paid to you) and other miscellaneous expenses and required working capital. Your initial 3 months of rent and marketing expenses are separately stated in the table above.

(17) These figures are estimates based on the past experience of our principals in franchising SPA 810 businesses since 2012 and co-owning SPA 810 businesses from 2012 through 2016. You may have additional expenses starting your Business. Your costs will depend on a variety of factors, including how closely you follow our methods and procedures, your management skills, experience and knowledge, the local real estate market, the size of your Center and number of rooms in your Center, the prevailing wage rate, competition, and the sales level achieved during the initial period. We strongly recommend that you have independent estimates on your anticipated cost to develop, open and operate your Business.

ITEM 8 RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Source Restricted Purchases and Leases - Generally

We require that you purchase or lease certain "source restricted" goods and services for the development and ongoing operation of your Business. By "source restricted," we mean that the good or service must meet our specifications and/or must be purchased from an approved or designated supplier (in some cases, an exclusive designated supplier, which may be us or an affiliate). Our specifications and list of approved and designated suppliers are contained in the Manual. We will notify you within 30 days of any changes to our specifications or list of approved or designated suppliers. We may notify you of these changes in various ways, including written or electronic correspondence, verbal or telephonic notification, amendments or updates to the Manual, bulletins, or other means of communication.

Supplier Criteria

Our criteria for evaluating a supplier include standards for quality, delivery, performance, location, design, appearance and price of the product or service as well as the dependability, reputation and financial viability of the supplier. Upon your request, we will provide you with any objective specifications pertaining to our evaluation of a supplier, although certain important subjective criteria (e.g., product appearance, design, functionality, etc.) are important to our evaluation but cannot be described in writing.

If you want to purchase or lease a source restricted item from a non-approved supplier, you must send us a written request for approval and submit any additional information that we request. We may require that you send us samples from the supplier for testing. We may also require that we be allowed to inspect the supplier's facilities. We will notify you of our approval or disapproval within 60 days after we receive your request for approval plus all additional information and samples that we require. We may, at our option, re-inspect the facilities and products of any approved supplier and revoke our approval if the supplier fails to meet any of our then-current criteria. You must reimburse us for all costs that we incur in reviewing a proposed supplier and testing the products.

Current Source Restricted Items

As described below in more detail, we currently require that you purchase or lease the following source restricted goods and services: real estate services, the lease for your facility, fixtures, furnishings and decor, operating equipment, signage, computer equipment and POS system, certain operating supplies, inventory,

marketing materials and services, and insurance policies. We estimate that nearly 80% of the total purchases and leases that will be required to establish your Business and 25% of your ongoing operating expenses will consist of source restricted goods or services.

Real Estate Professionals

We must approve the real estate professional that you use to help you identify an approved site and negotiate your lease or purchase contract. We must also approve your architect and the contractors you use to design and construct your Center. You must exclusively use us to provide project construction and management services.

Lease

We do not review the terms of your lease. However, if you will lease the premises for your Center, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Shop. The terms of the Lease Addendum are designed to protect our interests. For example, the landlord must notify us of your defaults, offer us the opportunity to cure your defaults, allow us to take an assignment of your lease in certain situations, permit us to enter the premises to remove items bearing our Marks if you refuse to do so and give us a right of first refusal to lease the premises upon the expiration or termination of your lease.

Project and Construction Management Services

You must purchase project and construction management services exclusively from us.

Fixtures, Furnishings and Decor

All of your fixtures, furnishings and décor must meet our standards and specifications. You must purchase these items from suppliers that we approve or designate.

Operating Equipment

All of your operating equipment must meet our standards and specifications and must be purchased from approved or designated suppliers.

Signage

All of your exterior and interior signage must meet our standards and specifications and must be purchased from a designated or approved supplier.

Computer Equipment and POS System

Your computer system and POS system must meet our standards and specifications and must be purchased from suppliers that we designate or approve.

Operating Supplies

You must purchase certain operating supplies that meet our standards and specifications. Some operating supplies must be purchased from suppliers that we designate or approve while other operating supplies may be purchased from any supplier of your choosing.

Inventory

All of your inventory must meet our standards and specifications. You must purchase these items only from approved or designated suppliers. You may not utilize any inventory items that we have not approved.

Marketing Materials and Services

All of your marketing materials must comply with our standards and requirements. You must purchase all branded marketing materials only from suppliers that we designate or approve. You may not create your own marketing materials. We may also require that you utilize a designated marketing company to implement certain marketing activities, including social media services.

Insurance Policies

You must obtain the insurance coverage that we require from time to time (whether in the Franchise Agreement or in the Manual). You must purchase these policies from a carrier with an A.M. Best's rating of "A" or better. The required coverage currently includes "all risk" property insurance, comprehensive general liability insurance in the minimum amount of \$2,000,000, professional liability insurance in the minimum amount of \$2,000,000, worker's compensation insurance, and any other limits and coverage that we periodically require. The required coverage and policies are subject to change. All insurance policies must be endorsed to (i) name us (and our members, officers, directors, and employees) as additional insureds, (ii) contain a waiver by the insurance carrier of all subrogation rights against us, and (iii) provide that we receive 10 days' prior written notice of the termination, expiration, cancellation or modification of the policy.

Purchase Agreements

We will try to negotiate relationships with suppliers to enable our affiliates and franchisees to purchase certain items at discounted prices. If we succeed, you will be able to purchase these items at the discounted prices that we negotiate (less any rebates or other consideration paid to us). Currently, we have negotiated purchase agreements (including price terms) with Sybaritic (supplier of certain operating equipment), Venus Concepts (supplier of certain operating equipment), HydraFacial (supplier of certain operating equipment) and Zeltiq (supplier of CoolSculpting equipment). Alternatively, we reserve the right to purchase the items in bulk and resell them to you at our cost plus a markup. There is no cap on the markup we may impose. We have established purchasing cooperatives as of the issuance date of this Disclosure Document. You do not receive any material benefits for using designated or approved suppliers other than having access to any discounted pricing that we negotiate.

Franchisor Revenues from Source Restricted Purchases

We are currently the exclusive supplier of project and construction management services (our affiliate Spa810 Management, LLC was previously the supplier of this service). We may designate our affiliates as designated or approved suppliers for other goods or services in the future. We may generate revenues from these purchases.

There are no approved or designated suppliers in which any of our officers owns an interest. No persons affiliated with us are currently approved suppliers.

We may receive rebates, payments or other material benefits from suppliers based on franchisee purchases and we have no obligation to pass them on to our franchisees or use them in any particular manner.

Our total revenues during the fiscal year ended December 31, 2017 were \$1,336,033. During that year, we received a total of \$49,000 in revenue from franchisee purchases from designated or approved suppliers, which represents 3.7% of our total revenues. During the fiscal year ended December 31, 2017, our affiliate Spa810

Management received a total of \$68,123 in revenue from franchisee purchases of project and construction management services (which is now provided by us)

ITEM 9 FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	SECTIONS IN FRANCHISE AGREEMENT	DISCLOSURE DOCUMENT ITEM
a Site selection and acquisition/lease	Section 7 1 & 7 2	Item 7 & Item 11
b Pre-opening purchases/leases	Section 7 3, 12 4 & 16 1	Item 5, Item 7, Item 8 & Item 11
c Site development and other pre-opening requirements	Section 7 3 & 7 4	Item 6, Item 7 & Item 11
d Initial and ongoing training	Section 5	Item 6 & Item 11
e Opening	Section 7 4	Item 11
f Fees	Section 4 2, 5 7, 6 2 6 7, 11 1, 11 2, 11 3, 12 6, 12 12, 14, 16 1, 17 2, & 20 2	Item 5 & Item 6
g Compliance with standards and policies/Operating Manuals	Section 6 1, 7 1, 7 3, 11 2, 12 & 18 1	Item 11
h Trademarks and proprietary information	Section 18	Item 13 & Item 14
i Restrictions on products/services offered	Section 12 3	Item 16
j Warranty and client service requirements	Not Applicable	Not Applicable
k Territorial development and sales quotas	Not Applicable	Item 12
l Ongoing product/service purchases	Section 12 4	Item 8
m Maintenance, appearance and remodeling requirements	Section 12 5 & 12 7	Item 11
n Insurance	Section 16 1	Item 6 & Item 7 & Item 8
o Advertising	Section 11	Item 6, Item 7 & Item 11
p Indemnification	Section 19	Item 6
q Owner's participation/ management/staffing	Section 8	Item 11 & Item 15
r Records/reports	Section 16 2 & 16 3	Item 6
s Inspections/audits	Section 17	Item 6 & Item 11
t Transfer	Section 20	Item 17
u Renewal	Section 4	Item 17
v Post termination obligations	Section 22	Item 17
w Non-competition covenants	Section 15	Item 17
x Dispute resolution	Section 23	Item 17
y Franchise Owner Agreement (brand protection covenants, transfer restrictions and financial assurance for owners and spouses)	ATTACHMENT "D"	Item 15

ITEM 10 FINANCING

We do not offer direct or indirect financing. We do not guarantee any of your notes, leases or obligations.

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

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

Before you open your Business, we will

- 1 License you the Marks necessary to begin operating your Business (Section 2)
- 2 Approve the location, build-out and design of your Center. See Section below entitled "Site Development" for additional information (Sections 6.2, 7.1, 7.3 & 7.4)
- 3 Provide you with access to 1 copy of the Manual, which will help you establish and operate your Business. See Section below entitled "Manual" for additional information (Section 6.1)
- 4 Provide you with written specifications for the goods and services you must purchase to establish your Business, as well as a written list of approved and/or designated suppliers for purposes of acquiring these goods and services. We do not deliver or install any of the items that you are required to purchase although we may assist with the installation of certain equipment in our discretion (Section 12.2)
- 5 Provide you with our recommended marketing plan for your Business. See Section below entitled "Local Advertising" for additional information (Section 11.4)
- 6 Provide an initial training program. See Section below entitled "Training Program" for additional information (Section 5)
- 7 Send one or more of our representatives to your Center for approximately 4 days to assist with the soft opening and provide on-site training (Section 6.3)
- 8 Provide you with a localized webpage (which will be linked to our website) to promote your Center. See Section below entitled "Computer System" for additional information (Section 6.6)

During the operation of your Business, we will

- 1 Give you ongoing guidance and recommendations on ways to improve the marketing and operation of your Business (Section 6.4)
- 2 Provide periodic training programs. See Section below entitled "Training Program" for additional information (Section 5)
- 3 Maintain a website that will include a list of all of the SPA 810 franchisees that are in good standing with us. We may modify the content of and/or discontinue this website at any time in our sole discretion (Section 6.6 & 11.2(d))
- 4 Administer the brand and system development fund. See Section below entitled "Brand and System Development Fund" for additional information (Section 11.1)

During the operation of your Business, we may, but need not

- 1 Develop new products or services to be offered at SPA 810 centers (Section 6 9)
- 2 Negotiate purchase agreements with suppliers to allow you to purchase certain goods or services at discounted prices We may also purchase items in bulk at discounted prices and resell them to you at our cost plus shipping plus a markup (Section 6 7)
- 3 Operate a SPA 810 call center to address customer inquiries (Section 6 8)
- 4 Hold periodic national or regional conferences to discuss business and operational issues affecting SPA 810 franchisees, including industry changes, new services and/or merchandise, marketing strategies and the like (Section 5)
- 5 Create a franchise advisory council See Section below entitled "Advisory Council" for additional information (Section 13)
- 6 Upon your request, provide additional training or assistance (either at our headquarters or at your Center) See Section below entitled "Training Program" for additional information (Section 5)

Training Program (Section 5 & 21 2(i))

Overview

We will provide an initial training program for the Managing Owner (defined in Item 15) and your initial managers These individuals must successfully complete the initial training program to our satisfaction before you open your Business You may send other owners to initial training, but it is not required The initial training program includes approximately 5 days of training at our corporate headquarters located in Scottsdale, Arizona (or at any other location we designate) and an additional 4 days of on-site training at your Center for the pre-opening training program The on-site training is an informal training program where we monitor your operations, assist you with the soft opening of your Center and provide on-site training Currently, we intend to offer the initial training program on a quarterly basis assuming sufficient demand

Training Topics

The initial training program consists of the following

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
spa810 Culture	4	2	Scottsdale, Arizona and your Center
Marketing/Advertising	8	2	Scottsdale, Arizona and your Center
Professional Protocol Review	2	10	Scottsdale, Arizona and your Center
Product Lines and Vendor Training	8	0	Scottsdale, Arizona
POS Software	2	0	Scottsdale, Arizona

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS ON THE JOB TRAINING	LOCATION
Memberships and Retail Sales	2	2	Scottsdale, Arizona and your Center
HR Onboarding/Offboarding	4	2	Scottsdale, Arizona and your Center
Spa Operations	4	2	Scottsdale, Arizona and your Center
Front Desk Responsibilities	2	4	Scottsdale, Arizona and your Center
Total	36	24	

Vendor Training

In addition to the initial training program and pre-opening training program that we conduct, certain of our product vendors will send representatives to your Center to provide training on their products and services. We estimate the total number of hours of vendor training will range from 84 to 124 hours. Most of this training is provided prior to opening.

Training Materials

The training materials will consist of the Manual, lectures, PowerPoint presentations, online videos, workbooks and quizzes. You will not be charged an additional fee for any of the training materials.

Instructors

Our current instructors include John Dunatov and Nycole Gonsalves. John Dunatov is our Chief Executive Officer and Founder and has been with us since our inception in 2012. He has 7 years of experience selling and supporting SPA 810 franchisees and he has a total of 7 years of experience in the field. Nycole Gonsalves is our Vice President of Operations and she has 2 years of experience selling and supporting SPA 810 franchisees and she has a total of 3 years of experience in the field.

Ongoing Training

From time to time, we may require that your Managing Owner and managers attend system-wide refresher or additional training courses. If you appoint a new Managing Owner or manager, that person must attend and successfully complete our initial training program before assuming responsibility for the management of your Business.

If we conduct an inspection of your Center and determine you are not operating in compliance with the Franchise Agreement and/or the Manual, we may require that the Managing Owner and/or your managers attend remedial training that addresses your operational deficiencies.

You may also request that we provide additional training (either at corporate headquarters or at your Center). We are not required to provide this additional training.

Training Fees and Costs

We will provide the initial training program at no additional charge. You must pay us a training fee of up to \$500 per person per day for (i) each person that attends our initial training program after you open your Center (such as new Managing Owners or managers), (ii) any person who must retake training after failing to successfully complete training on a prior attempt, (iii) any remedial training that we require based on your

operational deficiencies, (iv) each person to whom we provide additional training that you request, and (v) each person who attends any system-wide or additional training that we conduct. If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs that your trainees incur for training, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee the \$500 per person per day training fee for each of the transferee's owners and employees that attends our initial training program.

Manual (Section 6.1, 12.2 & 25.8)

We will provide you with access to our Manual in text or electronic form for the term of your Franchise Agreement. The Manual may include, among other things, (i) a description of the authorized goods and services that you may offer at your Business, (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for SPA 810 franchisees, (iii) mandatory reporting and insurance requirements, (iv) mandatory and suggested specifications for your Center, (v) policies and procedures pertaining to any gift card program or membership program that we establish, and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the construction, development and operation of your Business and a list of any designated or approved suppliers for these goods or services. The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. All mandatory provisions contained in the Manual are binding on you. The Manual is confidential and remains our property. We may modify the Manual upon 30 days' prior notice, but the modification(s) will not alter your status or fundamental rights under the Franchise Agreement. The Manual contains a total of approximately 150 pages. A copy of the Table of Contents to the Manual is attached to this Disclosure Document as EXHIBIT "D".

Site Development (Section 7.1, 7.2, 7.3, 7.5 & 12.7)

A SPA 810 facility typically ranges in size from 2,000 to 2,800 square feet. You must locate and obtain our approval of the premises from which you will operate your Business within 180 days after you sign the Franchise Agreement. The premises must be located within the Site Selection Area identified in ATTACHMENT "B" to the Franchise Agreement and must conform to our minimum site selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We will use our best efforts to approve or disapprove a proposed site within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. In reviewing a proposed site, we will consider factors such as parking, size, traffic counts, general location, existence and location of competitive businesses, general character of the neighborhood and various economic indicators. If you fail to obtain our approval of your site in the required period of time, we may terminate your Franchise Agreement.

We do not review the terms of your lease. However, if you will lease the premises for your Center, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to the Franchise Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to the Franchise Agreement, we may require that you find a new site for your Center.

After you purchase or lease your approved site, you must construct and equip the premises to the specifications contained in the Manual. You must also install the equipment, fixtures, signs and other items that we require. Before you open, we must approve the build-out and layout of your Center. You must remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. We will not require significant remodeling more than once during any 5 year period except as a condition to renewing or transferring your franchise. You may not remodel

or significantly alter your premises without our prior approval

Computer System (Section 12 4, 12 5, 12 6, 16 3 & 17 1)

You are required to purchase a computer system that consists of the following items POS system with 2 terminals, automated cash drawer, receipt printer and barcode scanner, 3 desktop computers with LCD flat panel wide screen monitors and high speed internet access, Microsoft Office, and color printer/scanner/copier Your computer system will be used to process sales transactions, set appointments, track marketing and communicate with us and your customers Your computer system may also be used for general business purposes such as preparing financial reports Your computer system will store sales information and customer information such as treatment and transaction history We will have independent unlimited access to the data collected on your computer system

We estimate the cost of your computer system will range from \$9,000 to \$16,000 You must also pay us a fee ranging from \$100 to \$500 to assist you with setting up your POS system You must purchase the credit card processing devices that we specify We estimate the cost of this purchase will range from \$500 to \$1,500 You must pay a monthly fee of \$195 per month (\$2,340 per year) for the POS software We may collect this fee from you or we may require that you pay a third party vendor directly In exchange for this fee we (or a third party we designate) will provide all required maintenance and support for the POS software

Except as described above (i) neither we nor any other party has any obligation to provide ongoing maintenance, repairs, upgrades or updates to your computer system, and (ii) we are not aware of any optional or required maintenance, updating, upgrading or support contracts relating to your computer system

You must maintain the computer system in good working order at your cost During the term of your franchise, you may be required to upgrade or update your computer and POS hardware and/or software to conform to our then-current specifications There are no contractual limitations on the frequency or cost of these updates or upgrades Although difficult to estimate, we would anticipate the costs of updating or upgrading the system could range from \$5,500 to \$11,500 (significant updates or upgrades are unlikely to occur more often than once every 2 or 3 years) We reserve the right to change the software or technology that you must use or add new software or technology at any time We may charge you for any software or technology that we license or sublicense to you If we sublicense the software from a third party, we will collect from you all amounts that we must pay the licensor based upon your use If we license you software that we develop or own, we may charge commercially reasonable initial and ongoing licensing and support fees

Brand and System Development Fund (Section 11 1)

We have established and administer a brand and system development fund to promote public awareness of our brand and to improve our System We may use the fund to pay for any of the following in our discretion (i) developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs, (ii) public awareness of any of the Marks, (iii) public and consumer relations and publicity, (iv) brand development, (v) research and development of technology, products and services, (vi) website development and search engine optimization, (vii) development and implementation of quality control programs, (viii) conducting market research, (ix) changes and improvements to the System, (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts, (xi) collecting and account for contributions to the fund, (xii) preparing and distributing financial accountings of the fund, (xiii) any other programs or activities that we deem necessary or appropriate to promote or improve the System, and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead or other expenses incurred in relation to any of these activities The fund will not be used for pay for advertisements principally directed at selling additional franchises, although consumer advertising may include notations such as "franchises available" and one or more pages on our website may promote the franchise opportunity

You must contribute to the fund the amount we specify from time to time (not to exceed 2% of Gross Revenues) We will deposit into the fund all (i) fund contributions paid by you and other franchisees, and (ii) fines paid by you and other franchisees Some franchisees may contribute to the fund on a different basis depending on when they signed their Franchise Agreement Any company-owned SPA 810 business may, but need not, contribute to the fund on the same basis as our franchisees Except as stated in this paragraph, we have no obligation to expend our own funds or resources for any marketing activities in your area

All monies deposited into the fund that are not used in the fiscal year in which they accrue will be utilized in the following fiscal year Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit During the fiscal year ended December 31, 2017, we spent 0% of the monies in the fund on production, 0% on media placement, 100% on administrative expenses, and 0% on "other"

We will direct and have complete control and discretion over all advertising programs paid for by the fund, including the creative concepts, materials, endorsements and media used for the programs, and the placement and allocation of the programs We assume no direct or indirect liability or obligation to you with respect to the maintenance, direction or administration of the fund The fund will not be a trust and we will have no fiduciary obligations with respect to our administration of the fund An unaudited financial accounting of the operations of the fund will be prepared annually and made available to you upon request

Local Advertising (Section 11.4 & 11.2)

You must spend between \$15,000 and \$20,000 on a soft opening advertising program for your Business commencing with the date you sign your lease and continuing 90 days after your soft opening

In addition to your soft opening marketing expenditure requirement, you must spend at least \$3,500 per month (\$42,000 per year) on local advertising This is referred to as your Local Marketing Commitment We will measure your compliance with this requirement on a rolling 6-month basis, meaning that as long as your average monthly expenditure on local advertising over the 6-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify We may require that you directly pay our designated marketing supplier up to 75% (\$2,625) of your Local Marketing Commitment on the first (1st) day of each month for purposes of conducting marketing on your behalf If you fail to spend the required amount during any given year, you must pay us the difference between \$42,000 and the amount you actually spent You must participate at your own expense in all advertising, promotional and marketing programs that we require

From time to time we may, but need not, establish relationships with vendors to reimburse you for portions of your local marketing that promotes the vendor's products Currently, CoolSculpting will reimburse you up to 50% of the marketing you conduct that promotes CoolSculpting This program may change or be eliminated at any time

We will provide you with our recommended marketing plan for your Business The marketing plan may be included in the Manual

You may not prepare your own advertising materials All advertising material must be purchased from us or a supplier that we designate or approve We may create and make available to you advertising and marketing materials for your purchase We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs) Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase We will provide reasonable marketing consulting, guidance and support throughout the franchise term on an as needed basis

You are encouraged to market your Business through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At all times you must comply with any social media policy that we develop.

We will provide you with a webpage that will be linked to our website. Your webpage will list certain information about your Business that we deem appropriate. At this time, we do not allow our franchisees to maintain their own websites or market their businesses on the Internet (except through the webpage we provide and through approved social media channels). Therefore, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify. In that case, we may require that you sign an amendment to the Franchise Agreement that will govern your ability to maintain a separate website and/or market on the Internet.

You must work directly with the vendor we designate on all matters relating to your webpage, including maintaining, altering, creating additional pages, incorporating SEO, imagery, etc. We recommend that you dedicate a minimum of 8 hours per month (or a maximum of 24 hours per month) on dedicated SEO maintenance. You must pay for the development of your local webpage and you must pay for ongoing search engine optimization.

Advertising Cooperatives (Section 11.3)

We may, but need not, form one or more advertising cooperatives for the benefit of all SPA 810 businesses located within a particular region. If your franchise is located within a region subject to an advertising cooperative, you will be required to pay the cooperative advertising fee that we specify from time to time (not to exceed \$3,500 per month). We have the right to determine the composition of all geographic territories and market areas for the implementation of each advertising cooperative. Generally, the boundaries of an advertising cooperative will coincide with municipal boundaries or designated marketing areas. All contributions to the advertising cooperative will be credited against your Local Marketing Commitment.

If we implement an advertising cooperative in a particular region, we have the right to establish an advertising council to self-administer the cooperative. You must participate in the council according to the council's rules and procedures and you agree to abide by the council's decisions. Alternatively, we may administer the cooperative ourselves. Advertising cooperatives are not required to operate from written governing documents or prepare annual or periodic financial statements. Any financial statements that are prepared will be made available to franchisees within the advertising cooperative upon request. We reserve the right to form, change, merge or terminate advertising cooperatives at any time.

Advisory Council (Section 13)

We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We would consider all suggestions from the advisory council in good faith, but we would not be bound by any such suggestions. The advisory council would be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council to communicate with us on matters raised by the advisory council. You would have the right to be a member of the advisory council as long as you are not in default under the Franchise Agreement and you do not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you would be entitled to all voting rights and privileges granted to other members of the council. Any SPA 810 business operated by us or our affiliates would also be a member of the Advisory Council. Each member would be granted 1 vote on all matters on which members are authorized to vote. We would have the power to form, change or dissolve the advisory council in our discretion.

Opening Requirements (Section 7 4)

You may not open your Center before (i) successful completion of the initial training program, (ii) you purchase all required insurance, (iii) you obtain all required licenses, permits and other governmental approvals, (iv) we provide our written approval of the construction, build-out and layout of your Center, (v) you have submitted to us your ACH withdrawal form, and (vi) you have fulfilled all of your other pre-opening obligations

We anticipate that a typical SPA 810 franchisee will open his or her SPA 810 business within 3 to 6 months after signing the Franchise Agreement. Some of the factors that may affect this time are your ability to acquire a location through lease or purchase negotiations, your ability to secure any necessary financing, your ability to comply with local zoning and other ordinances, your ability to obtain any necessary permits, certifications, and licenses, the timing of the delivery of equipment, tools, and inventory, the time to complete training, the time to hire and train your staff, and the time to convert, renovate, or build out your Center. Unless we agree to the contrary, your Business must be opened to the public within 180 days after you sign the Franchise Agreement. Your failure to open within the 180-day period constitutes an event of default under your Franchise Agreement.

If you purchase 2 or more Franchises at the same time as your first franchise, you must open (i) your 1st Center within 180 days after signing the Franchise Agreement, and (ii) your 2nd Center within 6 months of the opening of your first Center. You must open the 3rd and each additional Center, if applicable, within 6 months of the opening of the previous Center.

ITEM 12 TERRITORY

Location of Your Business

Each Franchise Agreement grants you the right to operate a single SPA 810 business at a single location that must be approved by us in advance. You will be required to identify a location for your SPA 810 business within the Site Selection Area described in ATTACHMENT "B" to your Franchise Agreement. You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must (i) locate your new Center within the Site Selection Area described in ATTACHMENT "B" to your Franchise Agreement, (ii) pay us a \$5,000 relocation fee, (iii) comply with all of our then-current site selection and development requirements, and (iv) open your new Center location and resume operations within 30 days after closing your prior Center location.

Your Territory

Once you have identified a site that we have approved, you will receive a territory that will be identified in ATTACHMENT "B" to your Franchise Agreement (we may assist you in selecting a site through the project and construction management services that we provide). Most territories will include a population of approximately 50,000 to 60,000 persons with a combined household income of \$55,000 to \$65,000. Typically, a territory will consist of a radius of 1 to 2 miles from the Center in order to encompass the 50,000 to 60,000 persons with a combined household income of \$55,000 to \$65,000. The population statistics used in determining your territory will be based on numbers derived from the current U.S. Census report and supplemented with other information available, and other population statistical sources of our choosing to determine populations. In certain densely populated metropolitan areas, a territory may be small if it has a high population density, while franchisees operating in less densely populated urban areas may have significantly larger areas.

Territorial Rights

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

Although we do not grant exclusive territories, we do grant you certain territorial protections. Specifically, we will not operate or authorize a third party to operate a SPA 810 business using our Marks that is physically located within your territory during the term of your Franchise Agreement except as otherwise permitted below with respect to Alternative Channels of Distribution and Acquisitions (each defined below). Other SPA 810 franchisees may advertise within your territory, although their advertising must be primarily directed towards customers within their territory. Likewise, you may advertise within the territories of other SPA 810 franchisees, although your advertising must be primarily directed towards customers within your territory.

Limitations on Your Rights

We reserve the right to sell or license others to sell competitive or identical goods or services (whether under the Marks or under different trademarks) through Alternative Channels of Distribution. An "Alternative Channel of Distribution" means any channel of distribution other than retail sales made to customers from a SPA 810 business. Examples of Alternative Channels of Distribution include (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing, (ii) sales through retail stores that do not operate under the Marks, such as beauty stores, unaffiliated spas or department stores, and (iii) sales made at wholesale. We may sell or license a third party to sell competitive or identical goods or services through Alternative Channels of Distribution (whether under the Marks or different trademarks) anywhere within your territory. You are not entitled to any compensation for sales that take place through Alternative Channels of Distribution.

We reserve the right to acquire, or be acquired by, another business or chain that may sell competitive or identical goods or services, and those businesses may be converted into SPA 810 franchises operating under the Marks regardless of their location (an "Acquisition"). Any such acquired or converted businesses may be located within your territory, and if this occurs, you will not be entitled to any compensation for sales made by the business.

Restrictions on Your Sales and Marketing Activities

You are not permitted to market or sell through Alternative Channels of Distribution. All of your marketing activities must be primarily directed towards customers within your territory although your marketing may extend outside of your territory. Your marketing activities are also subject to the additional restrictions described in Item 11 under the Section entitled "Local Advertising." There are no other restrictions on your right to solicit customers, whether from inside or outside of your territory.

Minimum Performance Requirements

Your territorial protections do not depend on achieving a certain sales volume, market penetration, or other contingency.

Additional Territories

You are not granted any options, rights of first refusal or similar rights to acquire additional territories or franchises.

Competitive Businesses Under Different Marks

Currently, neither we nor any affiliate of ours intends to operate or franchise another business under a different trademark that sells products or services similar to the products or services offered at a SPA 810 business. However, we reserve the right to do so in the future.

ITEM 13 TRADEMARKS

We registered the following trademarks on the United States Patent and Trademark Office principal register

MARK	REGISTRATION NUMBER	REGISTRATION DATE (RENEWAL DATE)
SPA810	4,467,392	January 14, 2014
	4 981,109	June 21, 2016

All required affidavits for the registered Marks have been filed

We claim common law right to the trademark "A REMARKABLE SPA EXPERIENCE" and the logo for "BE YOUR OWN KIND OF REMARKABLE" We do not have a federal registration for these Marks Therefore, these Marks do not have many legal benefits and rights as a federally registered trademark If our right to use any of these Marks is challenged, you may have to change to an alternative trademark, which may increase your expenses

We grant you the right to operate a franchise under the name "SPA 810" and logo shown on the cover page of this Disclosure Document By trademark, we mean trade names, trademarks, service marks, and logotypes used to identify your SPA 810 franchise or the products or services sold at your Business We may change the trademarks you may use from time to time (including by discontinuing use of the Marks listed in this Item 13) If this happens, you must change to the new trademark at your expense

You must follow our rules when using the Marks You cannot use our name or mark as part of a corporate name or with modifying words, designs, or symbols unless you receive our prior written consent You may not use the SPA 810 name relating to the sale of any product or service that is not previously authorized by us in writing

You must notify us immediately when you learn about an infringing or challenging use of the Marks We will take the action we think appropriate, but we are not required to take any action if we do not feel it is warranted We may require your assistance, but you are not permitted to control any proceeding or litigation relating to our Marks You must not directly or indirectly contest our right to the Marks

We will indemnify you against, and reimburse you for (i) all damages for which you are held liable in any judicial or administrative proceeding arising out of your use of the Marks in strict compliance with the Franchise Agreement and Manual, and (ii) all costs you reasonable incur in defending against any claim brought against you in any proceeding in which you are named as a party Our indemnification obligation will only apply if you notify us of the claim or proceeding in a timely manner and you are in full compliance with the Franchise Agreement and Manual

Except as disclosed above, we are not required under the Franchise Agreement to (i) protect your right to use the Marks or protect you against claims of infringement or unfair competition arising out of your use of the Marks, or (ii) participate in your defense or indemnify you for expenses or damages you incur if you are a party to an administrative or judicial proceeding involving our marks or if the proceeding is resolved in a manner that is unfavorable to you

There are no currently effective material determinations of the Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of this state or any court, no pending infringements, oppositions or cancellations, and no pending material litigation involving any of the Marks We do not know of

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any infringing uses that could materially affect your use of the Marks. There are no agreements that materially affect our right to use or license the Marks.

ITEM 14 PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise. Although we have not filed an application for copyright registration for the Manual, our website or our marketing materials, we do claim a copyright to these items. During the term of your Franchise Agreement, we will allow you to use our proprietary information relating to the development, marketing and operation of a SPA 810 business, including, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual. All ideas, improvements, inventions, marketing materials, and other concepts you develop relating to the operation of your Business will be owned by us.

You are required to maintain the confidentiality of all of our proprietary information and use it only in strict accordance with the terms of the Franchise Agreement and the Manual. You must promptly tell us when you learn about unauthorized use of our proprietary information. We are not obligated to act, but will respond to this information as we deem appropriate. You are not permitted to control any proceeding or litigation alleging the unauthorized use of any of our proprietary information. We have no obligation to indemnify you for any expenses or damages arising from any proceeding or litigation involving our proprietary information. There are no infringements that are known by us at this time.

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

The Franchise Agreement requires that you designate an owner who will be primarily responsible for the daily on-premises management and supervision of the Business (the "Managing Owner") We must approve the owner that you appoint to serve as the Managing Owner. The Managing Owner must dedicate his or her full time efforts to your Business unless you delegate management functions to a manager. The Managing Owner must own at least a 25% ownership interest in the franchise. Any new Managing Owner must successfully complete the initial training program before becoming involved with the supervision, management or operation of the Business. The Managing Owner must also complete any mandatory refresher or advanced training courses that we require.

You may hire a manager to assume responsibility for the daily on-site management and supervision of your Business, but only if (i) the manager successfully completes the initial training program (and you pay us the associated training fee), (ii) the manager signs a Brand Protection Agreement, the form of which is attached to the Franchise Agreement as ATTACHMENT "F", and (iii) the Managing Owner agrees to assume responsibility for the supervision and operation of your Business if the manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement manager. We may, but typically do not, require that the manager own an equity interest in the franchise.

All of your employees and other agents or representatives who may have access to our confidential information must sign a Confidentiality Agreement, the current form of which is attached to the Franchise Agreement as ATTACHMENT "G". If you are an entity, each owner (i.e., each person holding an ownership interest in you) and the spouse of each owner must sign a Franchise Owner Agreement, the form of which is attached to the Franchise Agreement as ATTACHMENT "D".

ITEM 16 RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We must approve all goods and services that you sell as part of your Business. You must offer all goods and services that we require. You may not sell any goods or services that we have disapproved. We have the

unrestricted right to change the goods and/or services that you are required to sell as part of your Business at any time in our sole discretion, and you must comply with any such change

To the extent permitted by applicable law, we may set maximum or minimum prices on the goods and services you offer. We may require that you participate in a gift card, membership or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment and pay any fees relating to the use of that equipment. If we establish a gift card, membership or loyalty program, we have the right to determine how the amount of the gift cards, membership fees or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards.

ITEM 17 RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION

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

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
a Length of the franchise term	Section 4.1	Term is equal to 10 years
b Renewal or extension of the term	Section 4.1 & 4.2	If you meet our conditions for renewal, you can enter into 1 consecutive successor franchise agreement. The renewal term will be 10 years, for a total maximum term of 20 years.
c Requirements for you to renew or extend	Section 4.1 & 4.2	You must not be in default, not have received 2 or more default notices in prior 24 month period, give us timely notice, sign our then-current form of franchise agreement and related documents (e.g., Franchise Owner Agreement, Brand Protection Agreement, etc.), sign a general release, pay the renewal fee, remodel or upgrade your premises to comply with our then-current standards and specifications, and maintain possession of your facility under your lease. If you renew, you may be required to sign a contract with materially different terms and conditions than the original contract.
d Termination by you	Section 21.1	You can terminate only if we fail to cure a material default within the cure period.
e Termination by us without cause	Section 21.4	We can terminate without cause if you and we mutually agree to terminate.
f Termination by us with cause	Section 21.2 & 21.3	We can terminate if you default.
g "Cause" defined - curable defaults	Section 21.2 & 21.3	You have 10 days to cure any monetary default. You have 30 days to cure any other default (other than defaults described below under "non curable defaults").

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
h "Cause" defined - non-curable defaults	Section 21 2	The following defaults cannot be cured failure to successfully complete training, failure to secure lease or open in timely manner, insolvency, bankruptcy or seizure of assets, abandonment of franchise, failure to maintain required license or permit, conviction of certain types of crimes or subject of certain administrative actions, failure to comply with material law, commission of act that may adversely affect reputation of System or Marks, health or safety hazards, material misrepresentations, 2 nd underreporting of any amount due by at least 2%, unauthorized transfers, unauthorized use of our intellectual property, violation of brand protection covenant, breach of Franchise Owner Agreement by owner or spouse, termination of your lease due to your default, or termination of any other agreement between you and us or an affiliate due to your default
i Your obligations on termination/non-renewal	Section 22 1	Obligations include complete deidentification, cease use of intellectual property, return of Manual and all branded materials, assignment of telephone numbers, listings and domain names, assignment of customer information, contracts and accounts, cancellation of fictitious names, and payment of amounts due (also see "r", below)
j Assignment of contract by us	Section 20 1	No restriction on our right to assign
k "Transfer" by you – definition	Section 20 2 & <u>Attachment A</u> (definition of "Transfer")	Includes transfer of contract or assets, or ownership change
l Our approval of transfer by you	Section 20 2, 20 3 & <u>Attachment A</u> (definition of Permitted Transfer")	If certain conditions are met, you may transfer to a newly formed entity owned by you without our approval and your owners may transfer ownership interests amongst themselves (unless the transfer results in the Managing Owner holding less than a 25% interest) We have the right to approve all other transfers but will not unreasonably withhold approval
m Conditions for our approval of transfer	Section 20 2	Transferee must meet our qualifications, successfully complete training (or commit to do so), obtain all required licenses and permits, and sign a new franchise agreement for the remainder of the term (or at our option, take assignment of existing franchise agreement) You must be in compliance with Franchise Agreement, assign your lease, if applicable, remodel the Center to current standards (or get a commitment from transferee to do so), pay us the transfer fee, and sign a general release We must notify you that we do not intend to exercise our right of first refusal
n Our right of first refusal to acquire your business	Section 20 5	We have the right to match any bona fide, arms-length offer for your Business
o Our option to purchase your business	Section 22 2	We have the option to purchase your Business at the expiration or termination of the Franchise Agreement
p Your death or disability	Section 20 4	Within 180 days, franchise must be assigned by estate to an assignee in compliance with conditions for other transfers We may designate manager to operate the Business prior to transfer

THE FRANCHISE RELATIONSHIP		
PROVISION	SECTIONS IN FRANCHISE AGREEMENT	SUMMARY
q Non-competition covenants during the term of the franchise	Section 15 2 & 15 3	No involvement in competing business, comply with non solicitation and non-disclosure covenants
r Non-competition covenants after the franchise is terminated or expires	Section 15 2, 15 4 & 22 1	No involvement for 2 years in competing business located within 15 miles of your Center or any other Spa 810 center, comply with non-solicitation and non-disclosure covenants, cease use of intellectual property
s Modification of the agreement	Section 25 3 & 25 8	Requires writing signed by both parties (except for unilateral changes to Manual or unilateral reduction of scope of restrictive covenants by us) Other modifications primarily to comply with various states laws
t Integration/merger clause	Section 25 8	Only the terms of the Franchise Agreement and attachments to Franchise Agreement are binding (subject to state law) Any representations or promises made outside the Disclosure Document and Franchise Agreement may not be enforceable Nothing in the Franchise Agreement or any related agreements is intended to disclaim any of the representations we made in this Disclosure Document
u Dispute resolution by arbitration or mediation	Section 23	All disputes must be mediated or arbitrated before litigation, except for certain disputes involving our intellectual property or compliance with restrictive covenants (except as otherwise disclosed in <u>EXHIBIT "J"</u> to this Disclosure Document)
v Choice of forum	Section 23	All mediation, arbitration and litigation must take place in county where we maintain our principal place of business (currently, Maricopa County, Arizona) at time dispute arises (except as otherwise disclosed in <u>EXHIBIT "J"</u> to this Disclosure Document)
w Choice of law	Section 25 1	Arizona law (except as otherwise disclosed in <u>EXHIBIT "J"</u> to this Disclosure Document)

California law requires additional disclosures related to the information contained in this Item 17 These additional disclosures appear in EXHIBIT "J" to this Disclosure Document

ITEM 18 PUBLIC FIGURES

We do not use any public figures to promote our franchise

ITEM 19 FINANCIAL PERFORMANCE REPRESENTATIONS

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the Federal Trade Commission, the appropriate state regulatory agencies, and our management by contacting John Dunatov at 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

TABLE 1: SYSTEM-WIDE OUTLET SUMMARY FOR YEARS 2015 TO 2017				
Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	5	8	+3
	2016	8	16	+8
	2017	16	20	+4
Company-Owned	2015	1	2	+1
	2016	2	0	-2
	2017	0	0	0
Total Outlets	2015	6	10	+4
	2016	10	16	+6
	2017	16	20	+4

TABLE 2: TRANSFERS OF OUTLETS FROM FRANCHISEES TO NEW OWNERS (OTHER THAN THE FRANCHISOR) FOR YEARS 2015 TO 2017		
State	Year	Number of Transfers
Arizona	2015	0
	2016	0
	2017	1
Arkansas	2015	0
	2016	2
	2017	1
Georgia	2015	0
	2016	0
	2017	1
Texas	2015	2
	2016	0
	2017	2
Total	2015	2
	2016	2
	2017	5

TABLE 3 STATUS OF FRANCHISED OUTLETS FOR YEARS 2015 TO 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Arizona	2015	1	1	0	0	1	0	1
	2016	1	2	0	0	0	0	3
	2017	3	0	0	0	0	0	3
Arkansas	2015	0	2	0	0	0	0	2
	2016	2	0	0	0	0	0	2
	2017	2	0	0	0	0	0	2
Colorado	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Florida	2015	0	1	0	0	0	0	1
	2016	1	1	0	0	0	0	2
	2017	2	1	1	0	0	0	2
Georgia	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
Iowa	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Kentucky	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Minnesota	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Nevada	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
New Jersey	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Oklahoma	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0
	2017	0	1	0	0	0	0	1
Texas	2015	4	0	0	0	0	0	4
	2016	4	2	0	0	0	1	5

TABLE 3 - STATUS OF FRANCHISED OUTLETS FOR YEARS 2015 TO 2017

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
	2017	5	0	1	0	0	0	4
Totals	2015	5	4	0	0	1	0	8
	2016	8	9	0	0	0	1	16
	2017	16	6	2	0	0	0	20

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

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
Arizona	2015	1	0	1	0	0	2
	2016	2	0	0	2	0	0
	2017	0	0	0	0	0	0
Totals	2015	1	0	1	0	0	2
	2016	2	0	0	2	0	0
	2017	0	0	0	0	0	0

TABLE 5 - PROJECTED OPENINGS AS OF DECEMBER 31, 2017

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
Arizona	0	1	0
Florida	1	1	0
Georgia	4	1	0
Illinois	1	0	0
Indiana	1	0	0
Nebraska	1	0	0
New Jersey	3	1	0
Ohio	1	1	0
Tennessee	1	1	0
Texas	3	1	0
Total	16	7	0

Notes to Tables

1 Our fiscal year ends on December 31st. All references to years in these tables refer to December 31 of that year. The outlets listed in Table 1 through Table 4 only refer to outlets that are open on the relevant date.

2 The transfers listed in Table 2 only refer to outlets that were transferred after opening. No franchisees

transferred their franchise agreements for unopened outlets in 2015 or 2016. In 2017, one of our Ohio franchisees transferred its Franchise Agreement to another franchisee prior to opening its outlet.

3 The transactions listed in Table 3 only refer to franchisees that left the system after opening their outlet. No franchisees left the system prior to opening their outlets in 2015, 2016 or 2017.

4 The outlets listed in the 2nd column in Table 5 ("Franchise Agreements Signed But Outlet Not Opened") include all franchise agreements that were signed for unopened outlets as of December 31, 2017. The outlets listed in the 3rd column in Table 5 ("Projected New Franchised Outlets in the Next Fiscal Year") include all outlets that we expect to open during the current fiscal year, including any outlets listed in the 2nd column that we expect to open this fiscal year.

5 Four of the outlets listed Table 3 above for Texas were co-owned and co-operated by us and a third-party franchisee until the end of 2016.

A list of all current SPA 810 franchisees is attached to this Disclosure Document as EXHIBIT "E" (Part A), including their names and the addresses and telephone numbers of their outlets as of December 31, 2017. In addition, EXHIBIT "E" (Part B) lists the name, city and state, and the current business telephone number (or, if unknown, the last known home telephone number) of every franchisee who had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during 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.**

In the last 3 fiscal years, some franchisees have signed confidentiality agreements with us. In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with us. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no (i) trademark-specific franchisee organizations associated with the franchise system being offered that we have created, sponsored or endorsed or (ii) independent franchisee organizations that have asked to be included in this Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Audited financial statements of Spa 810 L.L.C. for the fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015 are attached to this Disclosure Document as EXHIBIT "F". In addition, an unaudited balance sheet as of August 31, 2018 and unaudited profit and loss statements for the periods of March 23, 2018 through June 10, 2018 and June 11, 2018 through August 31, 2018 are attached to this Disclosure Document as EXHIBIT "F". **THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.**

ITEM 22 CONTRACTS

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

Exhibits to Disclosure Document

EXHIBIT "C" Franchise Agreement

EXHIBIT "G" Franchisee Disclosure Questionnaire
EXHIBIT "H" General Release
EXHIBIT "J" State Addendum

Attachments to Franchise Agreement

ATTACHMENT "C" Lease Addendum
ATTACHMENT "D" Franchise Owner Agreement
ATTACHMENT "E" ACH Authorization Form
ATTACHMENT "F" Brand Protection Agreement
ATTACHMENT "G" Confidentiality Agreement

ITEM 23 RECEIPT

EXHIBIT "K" to this Disclosure Document are detachable receipts. You are to sign both, keep one copy and return the other copy to us.

EXHIBIT "A"

TO DISCLOSURE DOCUMENT

STATE AGENCIES AND ADMINISTRATORS

<u>CALIFORNIA</u> Commissioner of Business Oversight Department of Business Oversight 320 West 4th Street, #750 Los Angeles, CA 90013 (213) 576-7500 1-866-275-2677 <u>HAWAII</u> Commissioner of Securities of the State of Hawaii 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>Agents for Service of Process</u> Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722 <u>ILLINOIS</u> Illinois Attorney General Chief, Franchise Division 500 South Second Street Springfield, IL 62706 (217) 782-4465 <u>INDIANA</u> Secretary of State Securities Division Room E-018 302 West Washington Street Indianapolis, IN 46204 (317) 232-6681	<u>MARYLAND</u> Office of the Attorney General Securities Division 200 St Paul Place Baltimore, Maryland 21202 (410) 576-6360 <u>MICHIGAN</u> Franchise Administrator Consumer Protection Division 670 Law Building Lansing, MI 48913 (517) 373-7117 <u>MINNESOTA</u> Department of Commerce Commissioner of Commerce 85 Seventh Place East, #500 St Paul, MN 55101-3165 (651) 296-4026 <u>NEW YORK</u> New York Attorney General Investor Protection & Securities Bureau Franchise Section 120 Broadway, 23rd Floor New York, NY 10271 (212) 416-8236 <u>NORTH DAKOTA</u> North Dakota Securities Department State Capitol, Fifth Floor, Dept 414 600 East Boulevard Avenue Bismarck, North Dakota 58505-0510 (701) 328-4712	<u>RHODE ISLAND</u> Department of Franchise Regulation 1511 Pontiac Avenue John O Pastore Complex Bldg 69-1 Cranston, Rhode Island 02920 (401) 462-9527 <u>SOUTH DAKOTA</u> Department of Labor and Regulation Division of Securities 124 S Euclid, Suite 104 Pierre, South Dakota 57501 (605) 773-4823 <u>VIRGINIA</u> State Corporation Commission Division of Securities and Retail Franchising 1st Floor (service of process) 9th Floor (administrator) 1300 East Main Street Richmond, Virginia 23219 (804) 371-9051 <u>WASHINGTON</u> Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760 <u>WISCONSIN</u> Department of Financial Institutions Division of Securities 201 W Washington Avenue, Suite 500 Madison, WI 53703 (608) 261-9555
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EXHIBIT "B"

TO DISCLOSURE DOCUMENT

FRANCHISOR'S AGENT FOR SERVICE OF PROCESS

Commissioner of Business Oversight, Department of Business Oversight
320 West 4th Street, Suite 750
Los Angeles, California 90013

EXHIBIT "C"
TO DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

[See Attached]



SPA 810 FRANCHISE AGREEMENT

FRANCHISEE
DATE

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ATTACHMENTS

ATTACHMENT "A"	Definitions
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ATTACHMENT "D"	Franchise Owner Agreement
ATTACHMENT "E"	ACH Authorization Form
ATTACHMENT "F"	Brand Protection Agreement
ATTACHMENT "G"	Confidentiality Agreement

SPA 810 FRANCHISE AGREEMENT

This SPA 810 Franchise Agreement (this "Agreement") is entered into as of _____, 20__ (the "Effective Date") between Spa 810 LLC, an Arizona limited liability company ("we" or "us") and _____, a(n) _____ ("you")

1 DEFINITIONS Capitalized terms used in this Agreement are defined either in the body of this Agreement or in ATTACHMENT "A". For capitalized terms that are defined in the body of this Agreement, ATTACHMENT "A" lists the Sections of this Agreement in which such terms are defined.

2 GRANT OF FRANCHISE We hereby grant you a license to own and operate a SPA 810 business (your "Business" or your "Center") using our Intellectual Property from a single location that we approve. As a SPA 810 franchisee, you will establish and operate a business that provides cosmetic laser and skin services, CoolSculpting, aesthetics and massage to the general public, and sells related products and services under the name "SPA 810". We reserve all rights not expressly granted to you.

3 TERRITORIAL RIGHTS AND LIMITATIONS We will grant you a protected territory consisting of the geographic area identified in ATTACHMENT "B" (your "Territory"). By protected, we mean that we will not operate, or grant a franchise or license to a third party to operate, a SPA 810 business that is physically located within your Territory during the Term, except as otherwise provided in this Section with respect to Alternative Channels of Distribution and Acquisitions. We reserve the right to (i) sell, or grant franchises or licenses to third parties to sell, competitive or identical goods or services (including under the Marks) through Alternative Channels of Distribution, irrespective of whether the sales take place in your Territory, and (ii) engage in Acquisitions, even if as a result of an Acquisition one or more competitive businesses of the acquired or acquiring company begin using our Intellectual Property (including our Marks) and are located within your Territory.

4 TERM AND RENEWAL

4.1 Generally The term of this Agreement will begin on the Effective Date and expire 10 years thereafter (the "Term"). If this Agreement is the initial franchise agreement for your Business, you may enter into a maximum of one (1) successor franchise agreement a "Successor Agreement") as long as you meet the conditions for renewal specified below. The Successor Agreement shall be the current form of franchise agreement that we use in granting SPA 810 franchises as of the expiration of the Term. The terms and conditions of the Successor Agreement may vary materially and substantially from the terms and conditions of this Agreement. The renewal term will be 10 years, for a maximum total term of 20 years. You will have no further right to operate your Business following the expiration of the renewal term unless we grant you another franchise in our sole discretion. If this Agreement is a Successor Agreement, the renewal provisions in your original franchise agreement will dictate the length of the Term of this Agreement as well as your remaining renewal rights, if any.

4.2 Renewal Requirements In order to enter into a Successor Agreement, you and the Owners (as applicable) must (i) notify us in writing of your desire to enter into a Successor Agreement not less than 180 days nor more than 270 days before the expiration of the Term, (ii) not be in default under this Agreement or any other agreement with us or any affiliate of ours at the time you send the renewal notice or the time you sign the Successor Agreement, (iii) not have received two (2) or more notices of default from us within the 24-month period preceding the expiration of the Term, (iv) sign the Successor Agreement and all ancillary documents that we require franchisees to sign, (v) sign a General Release, (vi) pay us a renewal fee equal to 25% of our then-current initial franchise fee, (vii) remodel your Center to comply with our then-current standards and specifications, (viii) have the right under your lease to maintain possession of your premises for the duration of the renewal term, and (ix) take any additional action that we reasonably require.

4.3 Interim Term If you do not sign a Successor Agreement after the expiration of the Term and

you continue to accept the benefits of this Agreement, then at our option, this Agreement may be treated either as (i) expired as of the date of the expiration with you then operating without a franchise to do so and in violation of our rights, or (ii) continued on a month-to-month basis (the "Interim Term") until either party provides the other party with 30 days' prior written notice of the party's intention to terminate the Interim Term. In the latter case, all of your obligations will remain in full force and effect during the Interim Term as if this Agreement had not expired, and all obligations and restrictions imposed on you upon the expiration or termination of this Agreement will be deemed to take effect upon the termination of the Interim Term.

Except as otherwise permitted by this Section 4, you have no right to continue to operate your Business following the expiration of the Term.

5 TRAINING AND CONFERENCES

5.1 Initial Training Program The Managing Owner and all of your initial managers must attend and successfully complete our initial training program before you open your Center.

5.2 Initial Training For New Owners/Managers If you hire a new manager or appoint a new Managing Owner after we conduct our pre-opening initial training program, the new manager or Managing Owner, as applicable, must attend and successfully complete our then-current initial training program before assuming any management responsibilities relating to the Business.

5.3 Periodic Training We may offer periodic refresher or additional training courses for your Owners and managers. Attendance at these training programs may be designated by us as optional or mandatory.

5.4 Additional Training Upon Request Upon your written request, we may provide additional assistance or training to you at a mutually convenient time.

5.5 Remedial Training If we conduct an inspection of your Center and determine that you are not operating your Center in compliance with this Agreement and/or the Manual, we may, at our option, require that your Managing Owner and management personnel attend remedial training that is relevant to your operational deficiencies.

5.6 Conferences We may hold periodic national or regional conferences or conventions to discuss various business issues and operational and general business concerns affecting SPA 810 franchisees. Attendance at these conferences is mandatory.

5.7 Training Fees and Expenses We will provide our initial training program at no additional charge for your Managing Owner and initial manager. You must pay us a training fee of up to \$500 per person per day for (i) each person that attends our initial training program after you open your Business (such as new Managing Owners or managers), (ii) any person who must retake training after failing to successfully complete training on a prior attempt, (iii) any remedial training that we require based on your operational deficiencies, (iv) each person to whom we provide additional training that you request, and (v) each person who attends any system-wide or additional training that we conduct. We may charge you a conference registration fee of up to \$500 per person (we may charge this fee regardless of whether you actually attend). If we agree to provide onsite training or assistance, you must reimburse us for all costs incurred by our representative for meals, travel and lodging (this reimbursement obligation does not apply to any onsite training that is part of our initial training program). You are responsible for all expenses and costs that your trainees incur for training or attending conferences, including wages, travel and living expenses. If you transfer your franchise, we may charge the new franchisee the \$500 per person per day training fee for each of the transferee's owners and employees that attend our initial training program. All training fees and expense reimbursements are due 10 days after invoicing.

6 OTHER FRANCHISOR ASSISTANCE

6.1 Manual During the Term, we will provide you with access to our confidential Brand Standards Manual (the "Manual") in text or electronic form. The Manual will help you establish and operate your Business. The information in the Manual is confidential and proprietary and may not be disclosed to third parties without our prior approval.

6.2 Project and Construction Management Assistance We will provide supervision and oversight regarding the construction and build-out of your Center. You agree to pay us a project and construction management services fee. The amount of the fee will vary depending on the specific location and plans for your Center, but it is estimated to range from \$22,500 to \$28,500. This fee is due at the time you sign this Agreement.

6.3 Opening Training and Assistance We will send a representative to your Center for approximately four (4) days to assist you with the soft opening of your Center and provide on-site training. We will not charge a fee for this assistance.

6.4 General Guidance Based upon our periodic inspections of your Business or reports that you submit to us, we will provide our guidance and recommendations on ways to improve the marketing and/or operation of your Business.

6.5 Marketing Assistance As further described in Section 11.1 and Section 11.4, we will administer the brand and system development fund and provide you with other marketing assistance during the Term.

6.6 Website We will maintain a website for SPA 810 franchisees that will include the information about your Business that we deem appropriate. We may modify the content of and/or discontinue the website at any time in our sole discretion. We will also provide you with your own local webpage that will be linked to our main website. Your webpage will include certain localized information about your Business that we designate or approve. You agree to pay the supplier that we designate to design, implement and host your local webpage. You are also required to pay for the search engine optimization that we require relating to your local webpage. We recommend that you dedicate a minimum of eight (8) hours per month (or a maximum of 24 hours per month) on dedicated SEO maintenance. We must approve all content on your webpage, but we will consider all information that you suggest in good faith. We will own the website (including your webpage) and domain name at all times.

6.7 Purchase Agreements We may, but need not, negotiate purchase agreements with suppliers to obtain discounted prices for us and our franchisees. If we succeed in negotiating a purchase agreement, we will arrange for you to be able to purchase the goods directly from the supplier at the discounted prices that we negotiate (subject to any rebates the supplier pays to us). We may also purchase certain items from suppliers in bulk and resell them to you at our cost plus shipping fees and a markup. There is no cap on the markup we may impose.

6.8 Call Center We may, but need not, operate a call center to address customer inquiries. We may outsource this service to a third party or we may terminate the call center altogether. We will not charge you a fee to administer the call center as long as it is administered by us or an affiliate of ours. You may be required to pay fees to any third party call center that we utilize in the future.

6.9 New Products and Services We may, but need not, develop and create new or modified products or services for sale at your Center. If we develop any products or retail items, you agree to maintain a reasonable inventory of these items at your Center at all times.

7 ESTABLISHING YOUR BUSINESS

7.1 Site Selection You agree to locate and obtain our approval of the premises from which you will operate your Business within 180 days after the Effective Date. The premises must be located within the Site Selection Area identified in ATTACHMENT "B" (the "Site Selection Area") and must conform to our minimum site selection criteria. You must send us a complete site report (containing the demographic, commercial and other information, photographs and video tapes that we may reasonably require) for your proposed site. We have the right to accept or reject all proposed sites in our commercially reasonable judgment. We will use our best efforts to approve or disapprove a proposed site within 30 days after we receive all of the requisite materials. Your site is deemed disapproved if we fail to issue our written approval within the 30-day period. Our approval shall be evidenced by the execution of Section B of ATTACHMENT "B" by you and us. You understand that our approval of a site does not constitute a representation or warranty of any kind, express or implied, of the suitability of the site for a SPA 810 business. Our approval of the site indicates only that we believe the site meets our minimum criteria.

7.2 Lease If you will lease the premises for your Center, you must use your best efforts to ensure your landlord signs the Lease Addendum that is attached to this Agreement as ATTACHMENT "C". If your landlord refuses to sign the Lease Addendum in substantially the form attached to this Agreement, we have the right to disapprove of your lease in our commercially reasonable judgment, in which case you must find a new site for your Center. You must promptly send us a copy of your fully executed lease and Lease Addendum for our records. We may require that you obtain our approval of the real estate professional that you hire to assist you in finding a site and negotiating your lease.

7.3 Construction We will provide you with prototype plans for a SPA 810 business. You must hire an architect in order to modify these plans to comply with all local ordinances, building codes, permits requirements, and lease requirements and restrictions applicable to the premises. You must submit the final plans to us for approval. Once approved, you must, at your sole expense, construct and equip the premises in accordance with the approved plans and the specifications contained in the Manual and purchase (or lease) and install the equipment, fixtures, signs and other items that we require. You must purchase all equipment and supplies that we require, including, without limitation, all equipment within the required Franchise Equipment Package and your CoolSculpting equipment. We must approve the architects, contractors and other suppliers you use to design and construct your Center. You acknowledge these requirements are necessary and reasonable to preserve the identity, reputation and goodwill we developed and the value of the franchise. Before you open, we must approve the layout of your Center. We will provide you with the project and construction management services described in Section 6.2.

7.4 Opening You must open your Center to the public within 180 after the Effective Date. You may not open your Center before (i) successful completion of the initial training program by your Managing Owner, (ii) you purchase all required insurance, (iii) you obtain all required licenses, permits and other governmental approvals, (iv) we provide our written approval of the construction, build-out and layout of your Center, (v) you have submitted to us your completed ACH withdrawal form, and (vi) you have fulfilled all of your other pre-opening obligations. We may conduct a pre-opening inspection of your Center and you agree to make any changes we require before opening. BY VIRTUE OF OPENING YOUR BUSINESS, YOU ACKNOWLEDGE THAT WE HAVE FULFILLED ALL OF OUR PRE-OPENING OBLIGATIONS TO YOU.

7.5 Relocation You may relocate your Center with our prior written approval, which we will not unreasonably withhold. If we allow you to relocate, you must (i) locate your new facility within the Site Selection Area, (ii) comply with Sections 7.1 through Section 7.4 of this Agreement with respect to your new Center (excluding the 180-day opening period), (iii) pay us a \$5,000 relocation fee at the time we approve your requested relocation, and (iv) open your new Center location and resume operations within 30 days after closing your prior Center location.

8 MANAGEMENT AND STAFFING

8.1 Owner Participation You acknowledge that a major requirement for the success of your Business is the active, continuing, and substantial personal involvement and hands-on supervision by your Managing Owner. The Managing Owner must at all times be actively involved in the operation of the Business on a full time basis and provide on-site management and supervision unless you delegate management functions to a manager. Any new Managing Owner that we approve must successfully complete the initial training program. Each Managing Owner must at all times own at least a 25% ownership interest in the franchise or the franchisee Entity (as applicable).

8.2 Managers You may hire a manager to assume responsibility for the daily on-site management and supervision of your Business, but only if (i) the manager successfully completes the initial training program, (ii) the manager signs a Brand Protection Agreement, and (iii) the Managing Owner agrees to assume responsibility for the on-site management and supervision of your Business if the manager is unable to perform his or her duties due to death, disability, termination of employment, or for any other reason, until such time that you obtain a suitable replacement manager. We may, but typically do not, require that the manager own an equity interest in the franchise.

8.3 Employees You must determine appropriate staffing levels for your Business to ensure full compliance with this Agreement and our system standards. You may hire, train and supervise employees to assist you with the proper operation of the Business. You must pay all wages, commissions, fringe benefits, worker's compensation premiums and payroll taxes (and other withholdings required by law) due for your employees. These employees will be employees of yours and not of ours. We do not control the day to day activities of your employees or the manner in which they perform their assigned tasks. You must inform your employees that you exclusively supervise their activities and dictate the manner in which they perform their assigned tasks. In this regard, you must use your legal business entity name (not our Marks or a fictitious name) on all employee applications, paystubs, pay checks, employment agreements, time cards, and similar items. We also do not control the hiring or firing of your employees. You have sole responsibility and authority for all employment related decisions, including employee selection and promotion, hours worked, rates of pay and other benefits, work assignments, training and working conditions. We will not provide you any advice or guidance on these matters. You must require that your employees review and sign the acknowledgment form we prescribe that explains the nature of the franchise relationship and notifies the employee that you are his or her sole employer. You must also post a conspicuous notice for employees in the back-of-the-house area explaining your franchise relationship with us and that you (and not we) are the employee's sole employer. We may prescribe the form and content of this notice.

8.4 Interim Manager We have the right, but not the obligation, to designate an individual of our choosing (an "Interim Manager") to manage your Business if either (i) your Managing Owner ceases to perform the responsibilities of a Managing Owner (whether due to retirement, death, disability, or for any other reason) and you fail to find an adequate replacement Managing Owner within 30 days, or (ii) you are in material breach. The Interim Manager will cease to manage your Business at such time that you hire an adequate replacement Managing Owner who has completed training or you cure the material breach, as applicable. If we appoint an Interim Manager, you agree to compensate the Interim Manager at a rate that we establish in our commercially reasonable discretion. The Interim Manager will have no liability to you except for gross negligence or willful misconduct. We will have no liability to you for the activities of an Interim Manager unless we are grossly negligent in appointing the Interim Manager.

9 FRANCHISEE AS ENTITY If you are an Entity, you agree to provide us with a list of all of your Owners. Upon our request, you must provide us with a resolution of the Entity authorizing the execution of this Agreement, a copy of the Entity's organizational documents and a current Certificate of Good Standing (or the functional equivalent thereof). You represent that the Entity is duly formed and validly existing under the laws of the state of its formation or incorporation.

10 FRANCHISE OWNER AGREEMENT If you are an Entity, all Owners (whether direct or indirect) and their spouses must sign a Franchise Owner Agreement, the current form of which is attached as ATTACHMENT "D"

11 ADVERTISING & MARKETING

11 1 Brand and System Development Fund

(a) Administration We have established and maintain a brand and system development fund to promote public awareness of our brand and to improve our System We may use the fund to pay for any of the following in our sole discretion (i) developing maintaining, administering, directing, preparing, or reviewing advertising and marketing materials, promotions and programs, (ii) public awareness of any of the Marks, (iii) public and consumer relations and publicity, (iv) brand development, (v) research and development of technology, products and services, (vi) website development and search engine optimization, (vii) development and implementation of quality control programs, (viii) conducting market research, (ix) changes and improvements to the System, (x) the fees and expenses of any advertising agency we engage to assist in producing or conducting advertising or marketing efforts, (xi) collecting and account for contributions to the fund, (xii) preparing and distributing financial accountings of the fund, (xiii) any other programs or activities that we deem necessary or appropriate to promote or improve the System, and (xiv) our and our affiliates' expenses associated with direct or indirect labor, administrative, overhead or other expenses incurred in relation to any of these activities We have sole discretion in determining the content, concepts, materials, media, endorsements, frequency, placement, location and all other matters pertaining to any of the foregoing activities Any surplus of monies in the fund may be invested and we may lend money to the fund if there is a deficit The fund is not a trust and we have no fiduciary obligations to you with respect to our administration of the fund A financial accounting of the operations of the fund, including deposits into and disbursements from the fund, will be prepared annually and made available to you upon request In terms of marketing activities paid for by the fund, we do not ensure that these expenditures in or affecting any geographic area are proportionate or equivalent to the fund contributions by franchisees operating in that geographic area or that any franchisee benefits directly or in proportion to their fund contributions

(b) Contributions On each royalty fee payment due date, you must contribute to the fund the amount that we specify (not to exceed 2% of Gross Revenues) We will deposit into the fund all (i) fund contributions paid by you and other franchisees, and (ii) fines paid by you and other franchisees If we increase the required contribution, we will provide you with at least 30 days' prior written notice

11 2 Your Marketing Activities

(a) Generally In addition to your required contribution to the brand and system development fund, you must spend, on a monthly basis, \$3,500 on local advertising to promote your Business (your "Local Marketing Commitment") We will measure your compliance with this requirement on a rolling six-month basis, meaning that as long as your average monthly expenditure on local advertising over the six-month period equals or exceeds the minimum monthly amount that we specify, you will be deemed in compliance even if your expenditure in any given month is less than the minimum monthly amount that we specify We may require that you directly pay our designated marketing supplier up to 75% (\$2,625) of your Local Marketing Commitment on the first (1st) day of each month for purposes of conducting marketing on your behalf If you fail to spend the required minimum amount over the course of a year (or prorated portion of a year during your first and last year of the Term), we may require that you pay us the difference between \$42,000 and the amount you actually spent We must approve all such advertising in accordance with Section 11 2(c) You agree to participate at your own expense in all advertising, promotional and marketing programs that we require, including any advertising cooperative that we establish pursuant to Section 11 3

(b) Soft Opening You must spend the minimum amount we specify (ranging from \$15,000 to \$20,000) on a soft opening marketing campaign commencing when you sign the lease and continuing through 90 days after the soft opening of your Center You must purchase start-up marketing supplies at least two (2)

months prior to the soft opening, which include promotional items, gift cards, business cards, menus, thank you cards, referral cards, laser checkout pads, facial check out pads, massage check out pads, window clings, A-Frame marketing, postcards, flyers, print inserts, co-op direct mail, email templates, promotional tent, banners, social media and media buying services and other miscellaneous items. We must approve all such advertising in accordance with Section 11 2(c)

(c) Restrictions on Advertising Material You may only use advertising and marketing materials that we have created or that you purchase from a supplier that we designate or approve. You are not permitted to create your own advertising material.

(d) Internet and Websites You may market your Business through approved social media channels in accordance with our social media policy. We may require that you utilize our designated supplier for social media marketing services. At this time, we do not allow our franchisees to maintain their own websites (other than the localized webpage that we provide) or market their SPA 810 businesses on the Internet (other than through approved social media outlets). Accordingly, you may not maintain a website, conduct e-commerce, or otherwise maintain a presence or advertise on the Internet or any other public computer network in connection with your Business. If we change our policy at a later date to allow franchisees to maintain their own websites or market on the Internet, you may do so only if you comply with all of the website and Internet requirements that we specify. In that case, we may require that you sign an amendment to this Agreement that will govern your ability to maintain a website and/or market on the Internet.

11 3 Advertising Cooperative We have the right, but not the obligation, to create one or more advertising cooperatives for the purpose of creating and/or purchasing advertising programs for the benefit of all franchisees operating within a particular region. We have the right to determine the composition of all geographic territories and market areas for each advertising cooperative. If we implement an advertising cooperative, we may establish an advertising council to self-administer the advertising cooperative. You must participate in the council according to the council's rules and procedures and you must abide by the council's decisions. Alternatively, we may administer the advertising cooperative ourselves. You must pay the cooperative advertising fee set by the cooperative on the same day as each royalty payment due date. We may collect all cooperative advertising fees and pay them to the applicable advertising cooperative unless we administer the advertising cooperative ourselves. We reserve the right to form, change, merge or dissolve advertising cooperatives in our discretion.

11 4 Marketing Assistance From Us We will provide you with our suggested marketing plan for your Business. The marketing plan may be included in the Manual. We may create and make available to you advertising and other marketing materials for your purchase. We may use the brand and system development fund to pay for the creation and distribution of these materials, in which case there will be no additional charge. We may make these materials available over the Internet (in which case you must arrange for printing the materials and paying all printing costs). Alternatively, we may enter into relationships with third party suppliers who will create the advertising or marketing materials for your purchase. We will provide reasonable marketing consulting, guidance and support throughout the Term on an as-needed basis.

12 OPERATING STANDARDS

12 1 Generally You agree to operate your Business (i) in a manner that will promote the goodwill of the Marks, and (ii) in full compliance with our standards and all other terms of this Agreement and the Manual.

12 2 Brand Standards Manual You agree to establish and operate your Business in accordance with the Manual. The Manual may contain, among other things (i) a description of the authorized goods and services that you may offer at your Business, (ii) mandatory and suggested specifications, operating procedures, and quality standards for products, services and procedures that we prescribe from time to time for SPA 810 franchisees, (iii) mandatory reporting and insurance requirements, (iv) mandatory and suggested specifications

for your Center, (v) policies and procedures pertaining to any gift card program or membership program that we establish, and (vi) a written list of goods and services (or specifications for goods and services) you must purchase for the development and operation of your Business and a list of any designated or approved suppliers for these goods or services. The Manual is designed to establish and protect our brand standards and the uniformity and quality of the goods and services offered by our franchisees. We can modify the Manual at any time. The modifications will become binding 30 days after we send you notice of the modification. All mandatory provisions contained in the Manual (whether they are included now or in the future) are binding on you.

12.3 Authorized Goods and Services You agree to offer all goods and services that we require from time to time in our commercially reasonable discretion. You may not offer any other goods or services at your Business without our prior written permission. You may not use your Business or permit your Business to be used for any purpose other than offering the goods and services that we authorize. We may, without obligation to do so, add, modify or delete authorized goods and services, and you must do the same upon notice from us. Our addition, modification or deletion of one or more goods or services shall not constitute a termination of the franchise or this Agreement.

12.4 Suppliers and Purchasing You agree to purchase or lease all products, supplies, equipment, services and other items specified in the Manual from time to time. Before opening, you must pay us a fee ranging from \$100 to \$500 for the support provided by our technicians to customize or modify your POS support system. If required by the Manual, you agree to purchase certain goods and services only from suppliers designated or approved by us (which may include, or be limited exclusively to, us or our affiliate). You acknowledge that our right to specify the suppliers that you may use is necessary and desirable so that we can control the uniformity and quality of goods and services used, sold or distributed in connection with the development and ongoing operation of SPA 810 businesses, maintain the confidentiality of our trade secrets, obtain discounted prices for our franchisees if we choose to do so, and protect the reputation and goodwill associated with the System and the Marks. If we receive rebates or other financial consideration from these suppliers based upon franchisee purchases, we have no obligation to pass these amounts on to you or to use them for your benefit. If you want us to approve a supplier that you propose, you must send us a written notice specifying the supplier's name and qualifications and provide any additional information that we request. We will approve or reject your request within 60 days after we receive your notice and all additional information (and samples) that we require. We shall be deemed to have rejected your request if we fail to issue our approval within the 60-day period. You must reimburse us for all costs and expenses that we incur in reviewing a proposed supplier within 10 days after invoicing.

12.5 Equipment Maintenance and Changes You agree to maintain all of your equipment in good condition and promptly replace or repair any equipment that is damaged, worn-out or obsolete. We may require that you change your equipment, which may require you to make additional investments. You acknowledge that our ability to require franchisees to make significant changes to their equipment is critical to our ability to administer and change the System and you agree to comply with any such required change within the time period that we reasonably prescribe.

12.6 Software and Technology We may change the software or technology that you must use at any time. We may also develop proprietary software or technology that must be used by SPA 810 franchisees. If this occurs, you agree to enter into a license agreement with us (or an affiliate of ours) and pay us (or our affiliate) commercially reasonable licensing, support and maintenance fees. The terms of the license agreement will govern the terms pursuant to which you may utilize this software or technology. We also reserve the right to enter into a master software or technology license agreement with a third party licensor and then sublicense the software or technology to you, in which case we may charge you for all amounts that we must pay to the licensor based on your use of the software or technology. All fees referenced in this Section are due on the 10th day of each month for the prior month's operations. As of the date of this Agreement, we charge a technology fee of \$195 per month plus an additional \$10 per email address (there is no additional fee for the initial four (4) email addresses that we provide).

12 7 Remodeling and Maintenance You agree to remodel and make all improvements and alterations to your Center that we reasonably require from time to time to reflect our then-current image, appearance and facility specifications. We will not require significant remodeling more than once during any five (5) year period, except as a condition to renewing or transferring your franchise. There are no limitations on the cost of these remodeling obligations. You may not remodel or significantly alter your premises without our prior written approval, which will not be unreasonably withheld. However we will not be required to approve any proposed remodeling or alteration if the same would not conform to our then-current specifications, standards or image requirements. You agree to maintain your Center in good order and condition, reasonable wear and tear excepted, and make all necessary repairs, including replacements, renewals and alterations, at your sole expense, to comply with our standards and specifications. Without limiting the generality of the foregoing, you agree to take the following actions at your sole expense: (i) thorough cleaning, repainting, redecorating of the interior and exterior of the business at the intervals we may prescribe (or at such earlier times that such actions are required or advisable), and (ii) interior and exterior repair of the business as needed. You agree to comply with any maintenance, cleaning or facility upkeep schedule that we prescribe from time to time.

12 8 Gift Cards, Memberships and Loyalty Programs We may require that you participate in a gift card, membership or other customer loyalty program in accordance with our policies and procedures. In order to participate, you may be required to purchase additional equipment and pay any fees relating to the use of that equipment. If we establish a gift card, membership or loyalty program, we have the right to determine how the amount of the gift cards, membership fees or loyalty cards will be divided or otherwise accounted for, and we reserve the right to retain the amount of any unredeemed gift cards. You agree to comply with all policies and procedures that we specify and we may modify these policies and procedures at any time.

12 9 Hours of Operation You must keep your Center open to the public during the minimum days and hours of operation set forth in the Manual.

12 10 Customer Complaints If you receive a customer complaint, you must follow the complaint resolution process that we specify to protect the goodwill associated with the Marks.

12 11 Quality Assurance Programs At any time, we reserve the right to engage the services of one or more "mystery shoppers" or quality assurance inspection firms who will inspect SPA 810 businesses for quality control purposes. These inspections may address a variety of issues, including customer service, sanitation, inventory rotation, etc. You agree to fully cooperate with any such inspection. If we implement such a program, you may be invoiced directly by the mystery shopper or quality assurance firm for the services rendered. Alternatively, we may be invoiced by the mystery shopper or quality assurance firm, in which you must pay your proportional share of the total fee based on the number of open businesses owned by you as compared to the total number of all open SPA 810 businesses at the time of the program (including company and affiliate-owned businesses). You agree to pay us this fee within 10 days after invoicing.

12 12 Failure to Comply with Standards You acknowledge the importance of every one of our standards and operating procedures to the reputation and integrity of the System and the goodwill associated with the Marks. If we notify you of a failure to comply with our standards or operating procedures (including failure to submit reports in a timely manner or offering unauthorized products or services) and you fail to correct the non-compliance within the period of time that we require, then, in addition to any other remedies available to us under this Agreement, we may impose a fine of up to \$500 per occurrence.

13 FRANCHISE ADVISORY COUNCIL We may, but need not, create a franchise advisory council to provide us with suggestions to improve the System, including matters such as marketing, operations and new product or service suggestions. We will consider all suggestions from the advisory council in good faith, but we are not bound by any such suggestions. The advisory council will be established and operated according to rules and regulations we periodically approve, including procedures governing the selection of representatives of the advisory council who will communicate with us on matters raised by the advisory council. You will have the right to be a member of the advisory council as long as you are not in default under this Agreement and you do

not act in a disruptive, abusive or counter-productive manner, as determined by us in our discretion. As a member, you will be entitled to all voting rights and privileges granted to other members of the council. Each member will be granted one vote on all matters on which members are authorized to vote.

14 FEES

14.1 Initial Franchise Fee You agree to pay us a \$45,000 initial franchise fee in one lump sum at the time you sign this Agreement. The initial franchise fee is fully earned by us and non-refundable once this Agreement has been signed.

14.2 Royalty Fee Every other Friday, you agree to pay us a royalty fee equal to 7% of your Gross Revenues generated during the immediately preceding two (2) week period.

14.3 Other Fees and Payments You agree to pay all other fees, expense reimbursements and other amounts specified in this Agreement in a timely manner as if fully set forth in this Section 14. You also agree to promptly pay us an amount equal to all taxes levied or assessed against us based upon goods or services that you sell or based upon goods or services that we furnish to you (other than income taxes that we pay based on amounts that you pay us under this Agreement).

14.4 Late Fee If any sums due under this Agreement have not been received by us when due (or there are insufficient funds in your Account to cover any sums owed to us when due) then, in addition to those sums, you must pay us a late fee equal to \$100 plus interest on the amounts past due at the rate equal to the lesser of 18% per annum (pro-rated on a daily basis), or the highest rate permitted by your State's law. If no due date has been specified by us, then interest begins to run 10 days after we bill you. We will not impose a late fee for any amounts paid pursuant to Section 14.5 if, but only to the extent that, sufficient funds were available in your Account to be applied towards the payments at the time the payments became due and payable. However, we may impose a late fee for any amounts that we are unable to reasonably determine due to your failure to furnish us with a report required by Section 16.3 within the required period of time or record sales in a timely manner, in which case we may assess a late fee on the entire amount that was due and payable. We may also charge an insufficient funds fee of \$100 for each occurrence where a check or EFT payment is rejected due to insufficient funds, stop payment or any similar event. You acknowledge that this Section 14.4 shall not constitute our agreement to accept the late payments after same are due, or a commitment by us to extend credit to or otherwise finance the operation of your Business.

14.5 Method of Payment You must complete and send us an ACH Authorization Form allowing us to electronically debit a banking account that you designate (your "Account") for (i) all fees payable to us pursuant to this Agreement (other than the initial franchise fee), and (ii) any amounts that you owe to us or any of our affiliates for the purchase of goods or services. We will debit your Account for these payments on or after the due date. Our current form of ACH Authorization Form is attached to this Agreement as ATTACHMENT "E". You must sign and deliver to us any other documents that we or your bank may require to authorize us to debit your Account for these amounts. You must deposit into the Account all revenues that you generate from the operation of your Business. You must make sufficient funds available for withdrawal by electronic transfer before each due date. If there are insufficient funds in your Account to cover all amounts that you owe, any excess amounts that you owe will be payable upon demand, together with any late charge imposed pursuant to Section 14.4. If you pay any amount to us by credit card, we may charge you an additional 4% of the total charge as a service charge.

14.6 Application of Payments We have sole discretion to apply any payments from you to any past due indebtedness of yours or in any other manner we feel appropriate.

15 BRAND PROTECTION COVENANTS

15.1 Reason for Covenants You acknowledge that the Intellectual Property and the training and

assistance that we provide would not be acquired except through implementation of this Agreement. You also acknowledge that competition by you, the Owners or persons associated with you or the Owners (including family members) could seriously jeopardize the entire franchise system because you and the Owners have received an advantage through knowledge of our day-to-day operations and Know-how related to the System. Accordingly, you and the Owners agree to comply with the covenants described in this Section to protect the Intellectual Property and our franchise system.

15.2 Our Know-how You and the Owners agree (i) neither you nor any Owner will use the Know-how in any business or capacity other than the operation of your Business pursuant to this Agreement, (ii) you and the Owners will maintain the confidentiality of the Know-how at all times, (iii) neither you nor any Owner will make unauthorized copies of documents containing any Know-how, (iv) you and the Owners will take all reasonable steps that we require from time to time to prevent unauthorized use or disclosure of the Know-how, and (v) you and the Owners will stop using the Know-how immediately upon the expiration, termination or Transfer of this Agreement, and any Owner who ceases to be an Owner before the expiration, termination or Transfer of this Agreement will stop using the Know-how immediately at the time he or she ceases to be an Owner.

15.3 Unfair Competition During Term You and your Owners agree not to unfairly compete with us during the Term by engaging in any of the following activities ("Prohibited Activities") (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in any Competitive Business, other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business, (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees), or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours.

15.4 Unfair Competition After Term During the Post-Term Restricted Period, you and your Owners agree not to engage in any Prohibited Activities. Notwithstanding the foregoing, you and your Owners may have an interest in a Competitive Business during the Post-Term Restricted Period as long as the Competitive Business is not located within, and does not provide competitive goods or services to customers who are located within, the Restricted Territory. If you or an Owner engages in a Prohibited Activity during the Post-Term Restricted Period (other than having an interest in a Competitive Business that is permitted under this Section), then the Post-Term Restricted Period applicable to you or the non-compliant Owner, as applicable, shall be extended by the period of time during which you or the non-compliant Owner, as applicable, engaged in the Prohibited Activity.

15.5 Immediate Family Members The Owners acknowledge that they could circumvent the purpose of Section 15 by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). The Owners also acknowledge that it would be difficult for us to prove whether the Owners disclosed the Know-how to family members. Therefore, each Owner agrees that he or she will be presumed to have violated the terms of Section 15 if any member of his or her immediate family engages in any Prohibited Activities during the Term or Post-Term Restricted Period or uses or discloses the Know-how. However, the Owner may rebut this presumption by furnishing evidence conclusively showing that the Owner did not disclose the Know-how to the family member.

15.6 Employees and Others Associated with You You must ensure that all of your employees, officers, directors, partners, members, independent contractors and other persons associated with you or your Business who may have access to our Know-how, and who are not required to sign a Brand Protection Agreement, sign and send us a Confidentiality Agreement before having access to our Know-how. You must use your best efforts to ensure that these individuals comply with the terms of the Brand Protection Agreements and Confidentiality Agreements, as applicable, and you must immediately notify us of any breach that comes to your attention. You agree to reimburse us for all reasonable expenses that we incur in enforcing a Brand Protection

Agreement or Confidentiality Agreement, as applicable, including reasonable attorneys' fees and court costs

15 7 Covenants Reasonable You and the Owners acknowledge and agree that (i) the terms of this Agreement are reasonable both in time and in scope of geographic area, (ii) our use and enforcement of covenants similar to those described above with respect to other SPA 810 franchisees benefits you and the Owners in that it prevents others from unfairly competing with your Business, and (iii) you and the Owners have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement **YOU AND THE OWNERS HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS SECTION 15 AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE**

15 8 Breach of Covenants You and the Owners agree that failure to comply with the terms of this Section 15 will cause substantial and irreparable damage to us and/or other SPA 810 franchisees for which there is no adequate remedy at law. Therefore, you and the Owners agree that any violation of the terms of this Section 15 will entitle us to injunctive relief. We may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you or an Owner may have against us, regardless of cause or origin, cannot be used as a defense against our enforcement of this Section 15.

16 YOUR OTHER RESPONSIBILITIES

16 1 Insurance For your protection and ours, you agree to maintain the following insurance policies: (i) "all risk" property insurance coverage on all assets, including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of your Business, which must include coverage for fire, vandalism and malicious mischief and have coverage limits of at least full replacement cost, (ii) comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by or occurring in conjunction with the operation of your Business, containing minimum liability protection of \$2,000,000, (iii) professional liability insurance (including coverage for errors and omissions and sexual misconduct/inappropriate touching), containing minimum liability protection of \$2,000,000, (iv) worker's compensation insurance and employer's liability insurance as required by law, and (v) any other insurance that we specify in the Manual from time to time. You agree to provide us with proof of coverage prior to opening, within 10 days of any renewal of a policy and at any other time on demand. You agree to obtain these insurance policies from insurance carriers that are rated A or better by Alfred M. Best & Company, Inc. and that are licensed and admitted in the state in which you operate your Business. All insurance policies must endorse to (i) name us (and our members, officers, directors, and employees) as additional insureds, (ii) contain a waiver by the insurance carrier of all subrogation rights against us, and (iii) provide that we receive 10 days prior written notice of the termination, expiration, cancellation or modification of the policy. If any of your policies fail to meet these criteria, then we may disapprove the policy and you must immediately find additional coverage with an alternative carrier satisfactory to us. Upon 10 days' notice to you, we may increase the minimum protection requirement as of the renewal date of any policy, and require different or additional types of insurance at any time, including excess liability (umbrella) insurance, to reflect inflation, identification of special risks, changes in law or standards or liability, higher damage awards or other relevant changes in circumstances. If you fail to maintain any required insurance coverage, we have the right to obtain the coverage on your behalf (which right shall be at our option and in addition to our other rights and remedies in this Agreement), and you must promptly sign all applications and other forms and instruments required to obtain the insurance and pay to us, within 10 days after invoicing, all costs and premiums that we incur plus an administrative fee in the amount of 20% of all such costs.

16 2 Books and Records You agree to prepare and maintain at your Center for at least five (5) years after their preparation, complete and accurate books, records, accounts and tax returns pertaining to your Business. You must maintain, and upon our request furnish to us by e-mail, mail or facsimile, a written list of all of your customers. You must send us copies of your books and records within seven (7) days of our request.

16 3 Reports Upon our request, you must prepare and provide to us weekly statements of your Gross Revenues for the prior week's operations. We may waive this obligation if we are able to automatically generate reports from your POS system. You must also prepare and provide to us monthly statements of your expenditures on local advertising required by Section 11.2 that were incurred during the prior month (which shall be accompanied by copies of receipts for such expenditures). You also agree to prepare all other reports that we require in the form and manner that we require. You agree to send us a copy of any report required by this Section upon request. If we require that you purchase a computer and/or automated cash management system that allows us to electronically retrieve information concerning your sales transactions, you agree that we will have the right to electronically poll your computer and/or automated cash management system to retrieve and compile information regarding the operation of your Business.

16 4 Financial Statements Within 90 days after the end of each calendar year, you must prepare a balance sheet for your Business (as of the end of the calendar year) and an annual statement of profit and loss and source and application of funds. All financial statements must be (i) verified and signed by you certifying to us that the information is true, complete, and accurate, (ii) prepared on an accrual basis in compliance with Generally Accepted Accounting Principles, and (iii) submitted in any format that we reasonably require. We have the right to require that your financial statements be audited by a certified public accountant if you have previously submitted materially inaccurate financial statements. You agree to send us a copy of any financial statement required by this Section upon request. You authorize us to disclose the financial statements, reports, and operating data to prospective franchisees, regulatory agencies and others at our discretion, provided the disclosure is not prohibited by applicable law.

16 5 Legal Compliance You must secure and maintain in force all required licenses, permits and regulatory approvals for the operation of your Business and operate and manage your Business in full compliance with all applicable laws, ordinances, rules and regulations.¹ You must notify us in writing within two (2) business days of the beginning of any action, suit, investigation or proceeding, or of the issuance of any order, writ, injunction, disciplinary action, award or decree of any court, agency or other governmental instrumentality, which may adversely affect the operation of your Business or your financial condition. You must immediately deliver to us a copy of any inspection report, warning, certificate or rating by any governmental agency involving any health or safety law, rule or regulation that reflects your failure to fully comply with the law, rule or regulation.

17 INSPECTION AND AUDIT

17 1 Inspections To ensure compliance with this Agreement, we or our representatives will have the right to enter your Center, evaluate your operations and inspect or examine your books, records, accounts and tax returns. Our evaluation may include watching or participating in treatments and contacting your landlord, customers and employees. We may conduct our evaluation at any time and without prior notice. During the course of our inspections, we and our representatives will use reasonable efforts to minimize our interference with the operation of your Business, and you and your employees will cooperate and not interfere with our inspection. You consent to us accessing your computer system and retrieving any information that we deem appropriate in conducting the inspection.

17 2 Audit We have the right, at any time, to have an independent audit made of your books and financial records. You agree to fully cooperate with us and any third parties that we hire to conduct the audit. If an audit reveals an understatement of your Gross Revenues or any amount that you owe us, you agree to immediately pay to us any additional fees that you owe us together with any late fee payable pursuant to Section 14.4. Any audit will be performed at our cost and expense unless the audit (i) is necessitated by your

failure to provide the information requested or to preserve records or file reports as required by this Agreement, or (ii) reveals an understatement of any amount due to us by at least two percent (2%), in which case you agree to reimburse us for the cost of the audit or inspection, including without limitation, reasonable accounting and attorneys' fees and travel and lodging expenses that we or our representatives incur. The audit cost reimbursements will be due 10 days after invoicing. We shall not be deemed to have waived our right to terminate this Agreement by accepting reimbursements of our audit costs.

18 INTELLECTUAL PROPERTY

18.1 Ownership and Use of Intellectual Property You acknowledge that (i) we are the sole and exclusive owner of the Intellectual Property and the goodwill associated with the Marks, (ii) your right to use the Intellectual Property is derived solely from this Agreement, and (iii) your right to use the Intellectual Property is limited to a license granted by us to operate your Business during the Term pursuant to, and only in compliance with, this Agreement, the Manual, and all applicable standards, specifications and operating procedures that we prescribe from time to time. You may not use any of the Intellectual Property in connection with the sale of any unauthorized product or service or in any other manner not expressly authorized by us. Any unauthorized use of the Intellectual Property constitutes an infringement of our rights. You agree to comply with all provisions of the Manual governing your use of the Intellectual Property. This Agreement does not confer to you any goodwill, title or interest in any of the Intellectual Property.

18.2 Changes to Intellectual Property We have the right to modify the Intellectual Property at any time in our sole and absolute discretion, including by changing the Marks, the System, the Copyrights or the Know-how. If we modify or discontinue use of any of the Intellectual Property, then you must comply with any such instructions from us within 30 days at your expense. We will not be liable to you for any expenses, losses or damages that you incur (including the loss of any goodwill associated with a Mark) because of any addition, modification, substitution or discontinuation of the Intellectual Property.

18.3 Use of Marks You agree to use the Marks as the sole identification of your Business, provided, however that you must identify yourself as the independent owner of your Business in the manner that we prescribe. You may not use any Marks in any modified form or as part of any corporate or trade name or with any prefix, suffix, or other modifying words, terms, designs or symbols (other than logos licensed to you by this Agreement). You agree to (i) prominently display the Marks on or in connection with any media advertising, promotional materials, posters and displays, receipts, stationery and forms that we designate and in the manner that we prescribe to give notice of trade and service mark registrations and copyrights, and (ii) obtain any fictitious or assumed name registrations required under applicable law. You may not use the Marks in signing any contract, lease, mortgage, check, purchase agreement, negotiable instrument or other legal obligation or in any manner that is likely to confuse or result in liability to us for any indebtedness or obligation of yours.

18.4 Use of Know-how We will disclose the Know-how to you in the initial training program, the Manual, and in other guidance furnished to you during the Term. You agree that you will not acquire any interest in the Know-how other than the right to utilize it in strict accordance with the terms of this Agreement in the development and operation of your Business. You acknowledge that the Know-how is proprietary and is disclosed to you solely for use in the development and operation of your Business during the Term.

18.5 Improvements If you conceive of or develop any improvements or additions to the marketing, method of operation or the services or products offered by a SPA 810 business (collectively, "Improvements"), you agree to promptly and fully disclose the Improvements to us without disclosing the Improvements to others. You must obtain our approval prior to using any such Improvements. Any Improvement that we approve may be used by us and any third parties that we authorize to operate a SPA 810 franchise, without any obligation to pay you royalties or other fees. You must assign to us or our designee, without charge, all rights to any such Improvement, including the right to grant sublicenses. In return, we will authorize you to use any Improvements that we or other franchisees develop that we authorize for general use in connection with the operation of a SPA

18.6 Notification of Infringements and Claims You must immediately notify us of any (i) apparent infringement of any of the Intellectual Property, (ii) challenge to your use of any of the Intellectual Property, or (iii) claim by any person of any rights in any of the Intellectual Property. You may not communicate with any person other than us and our counsel in connection with any such infringement, challenge or claim. We will have sole discretion to take such action as we deem appropriate. We have the right to exclusively control any litigation, Patent and Trademark Office proceeding, or other proceeding arising out of any such infringement, challenge or claim. You agree to execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of our counsel, be necessary or advisable to protect and maintain our interest in any such litigation, Patent and Trademark Office proceeding or other proceeding, or to otherwise protect and maintain our interest in the Intellectual Property.

19 INDEMNITY You agree to indemnify the Indemnified Parties and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any of the following: (i) the marketing, use or operation of your Business or your performance and/or breach of any of your obligations under this Agreement, (ii) any Claim relating to taxes or penalties assessed by any governmental entity against us that are directly related to your failure to pay or perform functions required of you under this Agreement, (iii) any labor, employment or similar type of Claim pertaining to your employees, including claims alleging that we are a joint employer of your employees, and (iv) any actions, investigations, rulings or proceedings conducted by any state or federal agency relating to your employees, including, without limitation, the United States Department of Labor, the Equal Employment Opportunity Commission and the National Labor Relations Board. You and your Owners agree to give us notice of any action, suit, proceeding, claim, demand, inquiry or investigation described above. The Indemnified Parties shall have the right, in their sole discretion to (i) retain counsel of their own choosing to represent them with respect to any Claim, and (ii) control the response thereto and the defense thereof, including the right to enter into an agreement to settle such Claim. You may participate in such defense at your own expense. You agree to give your full cooperation to the Indemnified Parties in assisting the Indemnified Parties with the defense of any such Claim, and to reimburse the Indemnified Parties for all of their costs and expenses in defending any such Claim, including court costs and reasonable attorneys' fees, within 10 days of the date of each invoice delivered by such Indemnified Party to you enumerating such costs, expenses and attorneys' fees.

Provided that you are not in default under this Agreement or any other agreement with us, we will indemnify you and your Owners and hold them harmless for, from and against any and all Losses and Expenses incurred by any of them as a result of or in connection with any Claim asserted against you and/or your Owners based upon the violation of any third party's intellectual property rights caused by your use of our Marks in strict compliance with the terms of this Agreement and the Manual. You must promptly notify us of any such Claim and fully cooperate with us in the defense of such Claim.

20 TRANSFERS

20.1 By Us This Agreement and the franchise is fully assignable by us (without prior notice to you) and shall inure to the benefit of any assignee(s) or other legal successor(s) to our interest in this Agreement, provided that we shall, subsequent to any such assignment, remain liable for the performance of our obligations under this Agreement up to the effective date of the assignment. We may also delegate some or all of our obligations under this Agreement to one or more persons without assigning the Agreement.

20.2 By You You understand that the rights and duties created by this Agreement are personal to you and the Owners and that we have granted the franchise in reliance upon the individual or collective character, skill, aptitude, attitude, business ability and financial capacity of you and your Owners. Because this Agreement is a personal services contract, neither you nor any Owner may engage in any Transfer other than a Permitted Transfer without our prior written approval. Any Transfer (other than a Permitted Transfer) without our approval shall be void and constitute a breach of this Agreement. We will not unreasonably withhold our

approval of any proposed Transfer, provided that the following conditions are all satisfied

(i) the proposed transferee is, in our opinion, an individual of good moral character, who has sufficient business experience, aptitude and financial resources to own and operate a SPA 810 business and otherwise meets all of our then applicable standards for franchisees,

(ii) you and your Owners are in full compliance with the terms of this Agreement and all other agreements with us or our affiliate,

(iii) all of the owners of the transferee have successfully completed, or made arrangements to attend, the initial training program (and the transferee has paid us the Training Fee for each new person who must attend training),

(iv) your landlord consents to your assignment of the lease to the transferee, or the transferee is diligently pursuing an approved substitute location within the Site Selection Area,

(v) the transferee and its owners, to the extent necessary, have obtained all licenses and permits required by applicable law in order to own and operate the Business,

(vi) the transferee and its owners sign our then-current form of franchise agreement (unless we, in our sole discretion, instruct you to assign this Agreement to the transferee), except that (a) the Term and renewal term(s) shall be the Term and renewal term(s) remaining under this Agreement, and (b) the transferee need not pay a separate initial franchise fee,

(vii) you remodel your Center to comply with our then-current standards and specifications or you obtain a commitment from the transferee to do so,

(viii) you or the transferee pay us a transfer fee equal to 25% of our then-current initial franchise fee to defray expenses that we incur in connection with the Transfer,

(ix) you and your Owners sign a General Release for all claims arising before or contemporaneously with the Transfer,

(x) we do not elect to exercise our right of first refusal described in Section 20.5, and

(xi) you or the transferring Owner, as applicable, and the transferee have satisfied any other conditions we reasonably require as a condition to our approval of the Transfer

Our consent to a Transfer shall not constitute a waiver of any claims we may have against the transferor, nor shall it be deemed a waiver of our right to demand exact compliance with any of the terms or conditions of the franchise by the transferee

20.3 Permitted Transfers You may engage in a Permitted Transfer without our prior approval, but you must give us at least 10 days prior written notice. You and the Owners (and the transferee) agree to sign all documents that we reasonably request to effectuate and document the Permitted Transfer.

20.4 Death or Disability of an Owner Upon the death or permanent disability of an Owner, the Owner's ownership interest in you or the franchise, as applicable, must be assigned to another Owner or to a third party approved by us within 180 days. Any assignment to a third party will be subject to all of the terms and conditions of Section 20.2 unless the assignment qualifies as a Permitted Transfer. For purposes of this Section, an Owner is deemed to have a "permanent disability" only if the person has a medical or mental problem that prevents the person from substantially complying with his or her obligations under this Agreement or otherwise operating the Business in the manner required by this Agreement and the Manual for a continuous period of at least three (3) months.

20.5 Our Right of First Refusal If you or an Owner desires to engage in a Transfer, you or the Owner, as applicable, must obtain a bona fide, signed written offer from the fully disclosed purchaser and submit an exact copy of the offer to us. We will have 30 days after receipt of the offer to decide whether we will purchase the interest in your Business or the ownership interest in you for the same price and upon the same terms contained in the offer (however, we may substitute cash for any form of payment proposed in the offer). If we notify you that we intend to purchase the interest within the 30-day period, you or the Owner, as applicable, must sell the interest to us. We will have at least an additional 30 days to prepare for closing. We will be entitled to receive from you or the Owner, as applicable, all customary representations and warranties given by you as the seller of the assets or the Owner as the seller of the ownership interest or, at our election, the representations and warranties contained in the offer. If we do not exercise our right of first refusal, you or the Owner, as applicable, may complete the Transfer to the purchaser pursuant to and on the terms of the offer, subject to the requirements of Section 20.2 (including our approval of the transferee). However, if the sale to the purchaser is not completed within 120 days after delivery of the offer to us, or there is a material change in the terms of the sale, we will again have the right of first refusal specified in this Section. Our right of first refusal in this Section shall not apply to any Permitted Transfer.

21 TERMINATION

21.1 By You You may terminate this Agreement if we materially breach this Agreement and fail to cure the breach within 90 days after you send us a written notice specifying the nature of the breach. If you terminate this Agreement, you must still comply with your post-termination obligations described in Section 22 and all other obligations that survive the expiration or termination of this Agreement.

21.2 Termination By Us Without Cure Period We may, in our sole discretion, terminate this Agreement upon five (5) days' written notice, without opportunity to cure, for any of the following reasons, all of which constitute material events of default under this Agreement:

(i) if the Managing Owner fails to satisfactorily complete the initial training program in the manner required by Section 5.1,

(ii) if you fail to secure a fully executed lease and Lease Addendum within the time period required by Section 7.2,

(iii) if you fail to open your Business within the time period required by Section 7.4,

(iv) if you become insolvent by reason of your inability to pay your debts as they become due or you file a voluntary petition in bankruptcy or any pleading seeking any reorganization, liquidation, dissolution or composition or other settlement with creditors under any law, or are the subject of an involuntary bankruptcy (which may or may not be enforceable under the Bankruptcy Act of 1978),

(v) if your Business, or a substantial portion of the assets associated with your Business, are seized, taken over or foreclosed by a government official in the exercise of his or her duties, or seized, taken over or foreclosed by a creditor, lienholder or lessor, or a final judgment against you remains unsatisfied for 30 days (unless a supersedeas or other appeal bond has been filed), or a levy of execution has been made upon the license granted by this Agreement or upon any property used in your Business, and it is not discharged within five (5) days of the levy,

(vi) if you abandon or fail to operate your Business for three (3) consecutive business days, unless the failure is due to an event of force majeure or another reason that we approve,

(vii) if a regulatory authority suspends or revokes a license or permit held by you or an Owner that is required to operate the Business, even if you or the Owner still maintain appeal rights,

(viii) if you or an Owner (a) is convicted of or pleads no contest to a felony, a crime

involving moral turpitude or any other material crime or (b) is subject to any material administrative disciplinary action or (c) fails to comply with any material federal, state or local law or regulation applicable to your Business,

(ix) if you or an Owner commits an act that can reasonably be expected to adversely affect the reputation of the System or the goodwill associated with the Marks,

(x) if you manage or operate your Business in a manner that presents a health or safety hazard to your customers, employees or the public,

(xi) if you or an Owner make any material misrepresentation to us, whether occurring before or after being granted the franchise,

(xii) if you fail to pay any amount owed to us or an affiliate of ours within ten (10) days after receipt of a demand for payment,

(xiii) if you underreport any amount owed to us by at least two percent (2%), after having already committed a similar breach that had been cured in accordance with Section 21.3,

(xiv) if you make an unauthorized Transfer,

(xv) if you make an unauthorized use of the Intellectual Property,

(xvi) if you breach any of the brand protection covenants described in Section 15,

(xvii) if any Owner, or the spouse of any Owner, breaches a Franchise Owner Agreement,

(xviii) if the lease for your premises is terminated due to your default, or

(xix) if we terminate any other agreement between you and us or if any affiliate of ours terminates any agreement between you and the affiliate because of your default

21.3 Additional Conditions of Termination In addition to our termination rights in Section 21.2, we may, in our sole discretion, terminate this Agreement upon 30 days' written notice if you or an Owner fail to comply with any other provision of this Agreement (including any mandatory provision in the Manual) or any other agreement with us, unless such default is cured, as determined by us in our sole discretion, within such 30-day notice period. If we deliver a notice of default to you pursuant to this Section 21.3, we may suspend performance of any of our obligations under this Agreement until you fully cure the breach.

21.4 Mutual Agreement to Terminate If you and we mutually agree in writing to terminate this Agreement, you and we will be deemed to have waived any required notice period.

22 POST-TERM OBLIGATIONS

22.1 Obligations of You and the Owners After the termination, expiration or Transfer of this Agreement, you and the Owners agree to

(i) immediately cease to use the Intellectual Property,

(ii) pay us all amounts that you owe us,

(iii) comply with all covenants described in Section 15 that apply after the expiration, termination or Transfer of this Agreement or the disposal of an ownership interest by an Owner,

(iv) return all copies of the Manual, or any portions thereof, as well as all signs, sign faces, brochures, advertising and promotional materials, forms, and any other materials bearing or containing any of the Marks, Copyrights or other identification relating to a SPA 810 business, unless we allow you to transfer such items to an approved transferee,

(v) take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to your use of any of the Marks,

(vi) provide us with a list of all of your current, former and prospective customers,

(vii) assign all customer contracts and accounts to us (unless we allow you to transfer those contracts to an approved transferee),

(viii) make such modifications and alterations to the premises that are necessary or that we require to prevent any association between us or the System and any business subsequently operated by you or any third party at the premises, provided, however, that this subsection shall not apply if your franchise is transferred to an approved transferee or if we exercise our right to purchase your entire Business,

(ix) notify all telephone companies, listing agencies and domain name registration companies (collectively, the "Agencies") of the termination or expiration of your right to use (a) the telephone numbers and/or domain names, if applicable, related to the operation of your Business, and (b) any regular, classified or other telephone directory listings associated with the Marks (you hereby authorize the Agencies to transfer such telephone numbers, domain names and listings to us and you authorize us, and appoint us and any officer we designate as your attorney-in-fact to direct the Agencies to transfer the telephone numbers, domain names and listings to us if you fail or refuse to do so), and

(x) provide us with satisfactory evidence of your compliance with the above obligations within 30 days after the effective date of the termination, expiration or Transfer of this Agreement

22.2 Right to Purchase Facility and Assets

(a) Generally Upon the termination or expiration of this Agreement, we shall have the right, but not the obligation, to purchase your Business and/or its assets at fair market value as ascertained by an independent business appraiser. If we elect to exercise this option, the date of determination of the fair market value shall be the effective date of the termination or expiration of the Agreement (the "Appraisal Date") We will notify you of the specific items that we wish to purchase (the "Acquired Assets") We may also require that you assign your lease to us at no additional charge

(b) Selecting Qualified Appraisers You and we each shall appoint an appraiser with experience appraising businesses comparable to your Business in the United States (a "Qualified Appraiser") This appointment of the appraisers shall be made within 30 days after the Appraisal Date by giving written notice to the other party of the name and address of the Qualified Appraiser. If either of us fails to appoint a Qualified Appraiser within the 30-day period, the appraisal shall be made by the sole Qualified Appraiser appointed within that period. If each of us shall have appointed a Qualified Appraiser within the 30-day period, then within 30 days after that the two (2) Qualified Appraisers shall appoint a third (3rd) Qualified Appraiser. If the two (2) Qualified Appraisers fail to agree on the appointment of a third (3rd) Qualified Appraiser within the 30-day period, then a third (3rd) Qualified Appraiser shall be appointed by the American Arbitration Association (acting through its office located closest to our corporate headquarters) as promptly as possible after that, upon application by either us or you. Nothing in this provision shall prohibit us and you from jointly approving a single appraiser, nor shall it obligate us or you to do so

(c) Information for Appraisal You must furnish to the Qualified Appraisers a copy of your current financial statements, as well as your financial statements for the prior three (3) years (or the period of time that you have operated your Business, if less than three (3) years), together with the work papers and other

financial information or other documents or information that the Qualified Appraisers may request. The Qualified Appraisers shall take into account the other information and factors that they deem relevant, but the Qualified Appraisers shall be instructed that there shall be no consideration of goodwill in the determination of fair market value.

(d) Appraisal Process Within 60 days after the appointment of the third Qualified Appraiser, the three (3) Qualified Appraisers shall appraise the Appraised Assets at fair market value without taking into account any value for goodwill (the "Appraised Value"). If the three (3) Qualified Appraisers agree on a single value, then they shall issue a joint report and the Appraised Value shall be the value determined by the agreement of the three (3) Qualified Appraisers. If two (2) of the three (3) Qualified Appraisers agree on a single value, these two (2) Qualified Appraisers shall issue a joint report, and the dissenting Qualified Appraiser may (but need not) issue a separate report, and the value determined by agreement of the two (2) Qualified Appraisers who shall agree shall be the Appraised Value. If none of the Qualified Appraisers are able to agree on a single value, each Qualified Appraiser shall issue a report setting forth the value determined by him or her, and the average of the two values that are closest to each other shall be the Appraised Value. Before the issuance of a report by any Qualified Appraiser, each Qualified Appraiser shall advise the others of the value that will appear in his or her report to ensure that the determination of value made by any Qualified Appraiser is made with knowledge of the values determined by the other Qualified Appraisers. If there shall be only a single Qualified Appraiser (because you or we failed to appoint a Qualified Appraiser within the time provided), then the Appraised Value shall be the value determined by the single Qualified Appraiser.

(e) Cost of Appraisal You and we shall equally bear the cost of the appraisal.

(f) Closing Once the Appraised Value has been determined, we will have at least 60 days to prepare for the closing. We will be entitled to receive from you all customary representations and warranties given by you as the seller of the Acquired Assets and you must transfer good and clean title to the Acquired Assets, subject to any exceptions agreed to by us. We may deduct from the Appraised Value all amounts owed to us and our affiliates under this Agreement, any promissory note, and any other agreement between you and us or between you and our affiliates.

23 DISPUTE RESOLUTION The parties agree to submit any claim, dispute or disagreement, including any matter pertaining to the interpretation of this Agreement or issues relating to the offer and sale of the franchise or the relationship between the parties (a "Dispute") to mediation before a mutually-agreeable mediator prior to arbitration. If the Dispute is not resolved by mediation within 30 days after either party makes a demand for mediation, the parties will submit the dispute to mandatory and binding arbitration conducted pursuant to the Commercial Arbitration Rules of the American Arbitration Association. The party filing the arbitration must initially bear the cost of any arbitration fees or costs. The arbitrators will not have authority to award exemplary or punitive damages. Notwithstanding the foregoing, any Dispute that involves an alleged breach of Section 15 or Section 18 will not be subject to mediation or arbitration unless otherwise agreed to by both parties, and either party may immediately file a lawsuit in accordance with this Section with respect to any alleged breach of Section 15 or Section 18. All mediation, arbitration and litigation shall take place in the county in which we maintain our principal place of business at the time the Dispute arises (currently, Maricopa County, Arizona) and the parties irrevocably waive any objection to such venue. If we or you must enforce this Agreement in a judicial or arbitration proceeding, the substantially prevailing party will be entitled to reimbursement of its costs and expenses, including reasonable accounting and legal fees. In addition, if you breach any term of this Agreement or any other agreement with us or an affiliate of ours, you agree to reimburse us for all reasonable legal fees and other expenses we incur relating to such breach, regardless of whether the breach is cured prior to the commencement of any dispute resolution proceedings. **UNLESS PROHIBITED BY APPLICABLE LAW, ANY DISPUTE (OTHER THAN FOR PAYMENT OF MONIES OWED OR A VIOLATION OF SECTION 15 OR SECTION 18) MUST BE BROUGHT BY FILING A WRITTEN DEMAND FOR ARBITRATION (OR IF PERMITTED, LITIGATION) WITHIN ONE (1) YEAR FOLLOWING THE CONDUCT, ACT OR OTHER EVENT OR OCCURRENCE GIVING RISE TO THE CLAIM, OR THE RIGHT TO ANY REMEDY WILL BE DEEMED FOREVER WAIVED AND BARRED.**

WE AND YOU IRREVOCABLY WAIVE (I) TRIAL BY JURY, AND (II) THE RIGHT TO ARBITRATE OR LITIGATE ON A CLASS ACTION BASIS, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THE PARTIES

24 YOUR REPRESENTATIONS YOU HEREBY REPRESENT THAT (i) YOU HAVE NOT RECEIVED OR RELIED UPON ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT, EXCEPT FOR ANY INFORMATION DISCLOSED IN THE FRANCHISE DISCLOSURE DOCUMENT, (ii) YOU HAVE NO KNOWLEDGE OF ANY REPRESENTATIONS BY US OR ANY OF OUR OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR REPRESENTATIVES ABOUT THE BUSINESS CONTEMPLATED BY THIS AGREEMENT THAT ARE CONTRARY TO THE TERMS OF THIS AGREEMENT OR THE FRANCHISE DISCLOSURE DOCUMENT, (iii) YOU RECEIVED (1) AN EXACT COPY OF THIS AGREEMENT AND ITS ATTACHMENTS AT LEAST FIVE (5) BUSINESS DAYS PRIOR TO THE DATE ON WHICH THIS AGREEMENT IS EXECUTED, AND (2) OUR FRANCHISE DISCLOSURE DOCUMENT AT THE EARLIER OF (A) TEN (10) BUSINESS DAYS BEFORE YOU SIGNED A BINDING AGREEMENT OR PAID ANY MONEY TO US OR OUR AFFILIATES OR (B) AT SUCH EARLIER TIME IN THE SALES PROCESS THAT YOU REQUESTED A COPY, (iv) YOU ARE AWARE OF THE FACT THAT OTHER PRESENT OR FUTURE FRANCHISEES OF OURS MAY OPERATE UNDER DIFFERENT FORMS OF AGREEMENT AND CONSEQUENTLY THAT OUR OBLIGATIONS AND RIGHTS WITH RESPECT TO OUR VARIOUS FRANCHISEES MAY DIFFER MATERIALLY IN CERTAIN CIRCUMSTANCES, (v) YOU ARE AWARE OF THE FACT THAT WE MAY HAVE NEGOTIATED TERMS OR OFFERED CONCESSIONS TO OTHER FRANCHISEES AND WE HAVE NO OBLIGATION TO OFFER YOU THE SAME OR SIMILAR NEGOTIATED TERMS OR CONCESSIONS, AND (vi) YOU HAVE CONDUCTED AN INDEPENDENT INVESTIGATION OF THE BUSINESS CONTEMPLATED BY THIS AGREEMENT AND RECOGNIZE THAT IT INVOLVES BUSINESS RISKS, MAKING THE SUCCESS OF THE VENTURE LARGELY DEPENDENT UPON YOUR OWN BUSINESS ABILITIES, EFFORTS AND JUDGMENTS, AND THE SERVICES OF YOU AND THOSE YOU EMPLOY

25 GENERAL PROVISIONS

25 1 Governing Law Except as governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. §§ 1051, et seq.), this Agreement and the franchise relationship shall be governed by the laws of the State of Arizona (without reference to its principles of conflicts of law), but any law of the State of Arizona that regulates the offer and sale of franchises or business opportunities or governs the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section

25 2 Relationship of the Parties You understand and agree that nothing in this Agreement creates a fiduciary relationship between you and us or is intended to make either party a general or special agent, legal representative, subsidiary, joint venture, partner, employee or servant of the other for any purpose. During the Term, you must conspicuously identify yourself at your base of operations, and in all dealings with third parties, as a franchisee of ours and the independent owner of your Business. You agree to place such other notices of independent ownership on such forms, stationery, advertising, business cards and other materials as we may require from time to time. Neither we nor you are permitted to make any express or implied agreement, warranty or representation, or incur any debt, in the name of or on behalf of the other, or represent that our relationship is other than franchisor and franchisee. In addition, neither we nor you will be obligated by or have any liability under any agreements or representations made by the other that are not expressly authorized by this Agreement.

25 3 Severability and Substitution Each section, subsection, term and provision of this Agreement, and any portion thereof, shall be considered severable. If any applicable and binding law imposes mandatory, non-waivable terms or conditions that conflict with a provision of this Agreement, the terms or conditions required by such law shall govern to the extent of the inconsistency and supersede the conflicting provision of

this Agreement. If a court concludes that any promise or covenant in this Agreement is unreasonable and unenforceable, (i) the court may modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable, or (ii) we may unilaterally modify such promise or covenant to the minimum extent necessary to make such promise or covenant enforceable.

25.4 Waivers. We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other. Any waiver granted by us shall be without prejudice to any other rights we may have. We and you shall not be deemed to have waived or impaired any right, power or option reserved by this Agreement (including the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach of this Agreement to be a default and to terminate the franchise before the expiration of its term) by virtue of (i) any custom or practice of the parties at variance with the terms of this Agreement, (ii) any failure, refusal or neglect of us or you to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any mandatory specification, standard, or operating procedure, (iii) any waiver, forbearance, delay, failure or omission by us to exercise any right, power or option, whether of the same, similar or different nature, relating to other SPA 810 franchisees, or (iv) the acceptance by us of any payments due from you after breach of this Agreement.

25.5 Approvals. Whenever this Agreement requires our approval, you must make a timely written request for approval, and the approval must be in writing in order to bind us. Except as otherwise expressly provided in this Agreement, if we fail to approve any request for approval within the required period of time, we shall be deemed to have disapproved your request. If we deny approval and you seek legal redress for the denial, the only relief to which you may be entitled is to acquire our approval. You are not entitled to any other relief or damages for our denial of approval.

25.6 Force Majeure. Neither we nor you shall be liable for loss or damage or deemed to be in breach of this Agreement if our or your failure to perform our or your obligations results from any event of force majeure. Any delay resulting from an event of force majeure will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable under the circumstances.

25.7 Binding Effect. This Agreement is binding upon the parties to this Agreement and their respective executors, administrators, heirs, assigns and successors in interest. Nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement, provided, however, that the additional insureds listed in Section 16.1 and the Indemnified Parties are intended third party beneficiaries under this Agreement with respect to Section 16.1 and Section 19, respectively.

25.8 Integration. THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES AND MAY NOT, EXCEPT AS PERMITTED BY SECTION 12.2 AND SECTION 25.3, BE CHANGED EXCEPT BY A WRITTEN DOCUMENT SIGNED BY BOTH PARTIES. Any e-mail correspondence or other form of informal electronic communication shall not be deemed to modify this Agreement unless such communication is signed by both parties and specifically states that it is intended to modify this Agreement. The attachment(s) are part of this Agreement, which, together with any Amendments or Addenda executed on or after the Effective Date, constitutes the entire understanding and agreement of the parties, and there are no other oral or written understandings or agreements between us and you about the subject matter of this Agreement. As referenced above, all mandatory provisions of the Manual are part of this Agreement. Any representations not specifically contained in this Agreement made before entering into this Agreement do not survive after the signing of this Agreement. This provision is intended to define the nature and extent of the parties' mutual contractual intent, there being no mutual intent to enter into contract relations, whether by agreement or by implication, other than as set forth above. The parties acknowledge that these limitations are intended to achieve the highest possible degree of certainty in the definition of the contract being formed, in recognition of the fact that uncertainty creates economic risks for both parties which, if not addressed as provided in this Agreement, would affect the economic terms of this bargain. Nothing in this Agreement is intended to disclaim any of the representations we made in the Franchise Disclosure Document. To the extent

that any provision in the California State Addendum is inconsistent with any provision in this Agreement, the provision in the California State Addendum shall control

25 9 Covenant of Good Faith If applicable law implies a covenant of good faith and fair dealing in this Agreement, the parties agree that the covenant shall not imply any rights or obligations that are inconsistent with a fair construction of the terms of this Agreement. Additionally, if applicable law shall imply the covenant, you agree that (i) this Agreement (and the relationship of the parties that is inherent in this Agreement) grants us the discretion to make decisions, take actions and/or refrain from taking actions not inconsistent with our explicit rights and obligations under this Agreement that may affect favorably or adversely your interests, (ii) we will use our judgment in exercising the discretion based on our assessment of our own interests and balancing those interests against the interests of our franchisees generally (including ourselves and our affiliates if applicable), and specifically without considering your individual interests or the individual interests of any other particular franchisee, (iii) we will have no liability to you for the exercise of our discretion in this manner, so long as the discretion is not exercised in bad faith, and (iv) in the absence of bad faith, no trier of fact in any arbitration or litigation shall substitute its judgment for our judgment so exercised

25 10 Rights of Parties are Cumulative The rights of the parties under this Agreement are cumulative and no exercise or enforcement by either party of any right or remedy under this Agreement will preclude any other right or remedy available under this Agreement or by law

25 11 Survival All provisions that expressly or by their nature survive the termination, expiration or Transfer of this Agreement (or the Transfer of an ownership interest in the franchise) shall continue in full force and effect subsequent to and notwithstanding its termination, expiration or Transfer and until they are satisfied in full or by their nature expire, including, without limitation, Section 14, Section 15, Section 17, Section 19, Section 22, Section 23 and Section 25

25 12 Construction The headings in this Agreement are for convenience only and do not define, limit or construe the contents of the sections or subsections. All references to Sections refer to the Sections contained in this Agreement unless otherwise specified. All references to days in this Agreement refer to calendar days unless otherwise specified. The term "you" as used in this Agreement is applicable to one or more persons or an Entity, and the singular usage includes the plural and the masculine and neuter usages include the other and the feminine and the possessive

25 13 Time of Essence Time is of the essence in this Agreement and every term thereof

25 14 Counterparts This Agreement may be signed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document

25 15 Notice All notices given under this Agreement must be in writing, delivered by hand, email (to the last email address provided by the recipient) or first class mail, to the following addresses (which may be changed upon 10 business days prior written notice)

YOU As set forth below your signature on this Agreement

US Spa 810 L L C
7950 E Redfield Road, Suite 280
Scottsdale, Arizona 85260

WITH A COPY TO Daniel Warshawsky
Warshawsky Seltzer, PLLC
9943 East Bell Road
Scottsdale, Arizona 85260

Notice shall be considered given at the time delivered by hand, or one (1) business day after sending by fax, e-mail or

comparable electronic system, or three (3) business days after placed in the mail, postage prepaid, by certified mail with a return receipt requested

The parties to this Agreement have executed this Agreement effective as of the Effective Date first above written

FRANCHISOR

Spa 810 L L C , an Arizona limited liability company

By _____
Name _____
Its _____

YOU (If you are an entity)

_____,
a(n) _____

By _____
Name _____
Its _____

YOU (If you are not an entity)

Name _____

Name _____

Name _____

Name _____

Franchisee's Principal Business Address

ATTACHMENT "A"
TO FRANCHISE AGREEMENT

DEFINITIONS

Account is defined in Section 14.5

Acquisition means either (i) a competitive or non-competitive company, franchise system, network or chain directly or indirectly acquiring us, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise or (ii) us directly or indirectly acquiring another competitive or non-competitive company, franchise system, network or chain, whether in whole or in part, including by asset or stock purchase, change of control, merger, affiliation or otherwise

Acquired Assets is defined in Section 22.2

Agencies is defined in Section 22.1(ix)

Agreement is defined in the Introductory Paragraph

Alternative Channels of Distribution means all channels of distribution other than retail sales made to customers from a SPA 810 business, including, but not limited to (i) sales through direct marketing, such as over the Internet or through catalogs or telemarketing, (ii) sales through retail stores that do not operate under the Marks, such as beauty stores, unaffiliated spas or department stores, and (iii) sales made at wholesale

Appraisal Date is defined in Section 22.2

Appraised Value is defined in Section 22.2

Brand Protection Agreement means our form of Brand Protection Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "F"

Business is defined in Section 2

Claim or *Claims* means any and all claims, actions, demands, assessments, litigation, or other form of regulatory or adjudicatory procedures, claims, demands, assessments, investigations, or formal or informal inquiries

Competitive Business means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides cosmetic laser and skin services to the general public

Confidentiality Agreement means our form of Confidentiality Agreement, the most current form of which is attached to this Agreement as ATTACHMENT "G"

Copyrights means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow SPA 810 franchisees to use, sell or display in connection with the marketing and/or operation of a SPA 810 business, whether now in existence or created in the future

Dispute is defined in Section 23

Effective Date is defined in the Introductory Paragraph

Entity means a corporation, partnership, limited liability company or other form of association

General Release means our current form of general release of all claims against us and our affiliates and subsidiaries, and our and their respective members, officers, directors, agents and employees, in both their corporate and individual capacities

Gross Revenues means the total selling price of all services and products sold at or sold from or through your Business, including the full redemption value of any gift certificate or coupon sold for use at the Business (fees retained by or paid to third party sellers of such gift certificates or coupons are not excluded from this calculation) and all other income related to the operation of your Business, whether for cash or credit and

regardless of collection of credit Gross Revenues do not include (i) amount of any tax imposed by any federal, state, municipal, or other governmental authority directly on sales and collected from customers, provided the amount of any such tax is shown separately and paid by Franchisee to the appropriate governmental authority, and (ii) all customer refunds, discounts and coupons authorized by us, and credits made by the Business (exclusions will include no reductions for credit card user fees, returned checks, or reserves for bad credit or doubtful accounts) Gross Revenues shall be deemed received by you when the services or products from which they were derived are delivered or rendered, or when the relevant sale takes place, whichever occurs first, regardless of whether final payment (e.g., collection on a customer's personal check) has been received by you Gross Revenues from products or services bartered shall be valued at the retail prices applicable and in effect when they are received

Improvements is defined in Section 18.5

Indemnified Party or *Indemnified Parties* means us and each of our past, present and future owners, members, officers, directors, employees and agents, as well as our parent companies, subsidiaries and affiliates, and each of their past, present and future owners, members, officers, directors, employees and agents

Intellectual Property means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements

'*Interim Manager*' is defined in Section 8.4

Interim Term is defined in Section 4.3

'*Know-how*' means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a SPA 810 business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual

Losses and Expenses means all compensatory, exemplary, and punitive damages, fines and penalties, attorneys' fees, experts' fees, court costs, costs associated with investigating and defending against Claims, settlement amounts, judgments, compensation for damages to our reputation and goodwill, and all other costs, damages, liabilities and expenses associated with any of the foregoing losses and expenses or incurred by an Indemnified Party as a result of a Claim

Managing Owner means the Owner that you designate and we approve who is primarily responsible for the daily on-premises management and supervision of the Business

'*Manual*' is defined in Section 6.1

Marks means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a SPA 810 business, including "SPA 810," and any other trademarks, service marks or trade names that we designate for use in a SPA 810 business The term "Marks" also includes any distinctive trade dress used to identify a SPA 810 business, whether now in existence or hereafter created

Marketing Campaign is defined in Section 11.1

Owner or *Owners* means any individual who owns a direct or indirect ownership interest in the franchise or the Entity that is the franchisee under this Agreement "Owner" includes both passive and active owners

Permitted Transfer means (i) a Transfer from one Owner to another Owner who was an approved Owner prior to such Transfer, other than a Transfer by an Owner who is the Managing Owner that causes the Managing Owner to hold less than a 25% ownership interest in the franchise or franchisee Entity, as applicable, and/or (ii) a Transfer to a newly established Entity for which the Owners collectively own and control 100% of the ownership interests and voting power

Post-Term Restricted Period means, with respect to you, a period of two (2) years after the termination, expiration or Transfer of this Agreement, provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the "Post-Term Restricted Period" means, with respect to you, a period of one (1) year after the termination, expiration or Transfer of this

Agreement "Post-Term Restricted Period" means, with respect to an Owner, a period of two (2) years after the earlier to occur of (i) the termination, expiration or Transfer of this Agreement or (ii) the Owner's Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable, provided, however, that if a court of competent jurisdiction determines that the two-year Post-Term Restricted Period is too long to be enforceable, then the "Post-Term Restricted Period" means, with respect to an Owner, a period of one (1) year after the earlier to occur of (i) the termination, expiration or Transfer of this Agreement or (ii) the Owner's Transfer of his or her entire ownership interest in the franchise or the Entity that is the franchisee, as applicable

Prohibited Activities is defined in Section 15.3

Qualified Appraiser is defined in Section 22.2

Restricted Territory means the geographic area within (i) a 15 mile radius from your Center (and including your Center itself), and (ii) a 15 radius from all other SPA 810 businesses that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period, provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 15 mile radius from your Center (and including your Center itself)

Site Selection Area is defined in Sections 7.1

Successor Agreement is defined in Section 4.1

System means our distinct system for the operation of a SPA 810 business, the distinctive characteristics of which include logo, trade secrets, distinct products and services, confidential manuals and operating system

Term is defined in Section 4.1

Territory is defined in Section 3

Transfer means any direct or indirect, voluntary or involuntary (including by judicial award, order or decree), assignment, sale, conveyance, subdivision, sublicense or other transfer or disposition of the franchise (or any interest therein), the Business (or any portion thereof) or an ownership interest in an Entity that is the franchisee, including by merger or consolidation, by issuance of additional securities representing an ownership interest in the Entity that is the franchisee, or by operation of law, will or a trust upon the death of an Owner (including the laws of intestate succession)

We or us is defined in the Introductory Paragraph

You is defined in the Introductory Paragraph

ATTACHMENT "B"
TO FRANCHISE AGREEMENT
SITE SELECTION AND TERRITORY

A Site Selection Area

The Site Selection Area referenced in the Franchise Agreement shall consist of the following geographic area

[_____]

* The Site Selection Area is not your territory and there are no protections associated with this area

B Approved Site

Pursuant to Section 7.1 of the Franchise Agreement, we hereby approve the site listed below for the operation of your SPA 810 business

Approved address

By signing below, you and we agree that the address identified in Part C above shall be deemed your approved site for your SPA 810 business established and operated pursuant to the Franchise Agreement

Franchisor

Franchisee

Spa 810 L L C

By _____

By _____

Name _____

Name _____

Its _____

Its _____

Date _____

Date _____

C Territory

The Territory referenced in the Franchise Agreement shall consist of the following geographic area (as further depicted on the map attached on the following page)

[_____]

*** If there are any changes to the zip codes or other boundaries that define your Territory during the term of the Franchise Agreement or any renewal term, then, unless otherwise agreed to by you and us in writing, the boundaries of your Territory shall remain defined by the zip codes or other boundaries in effect as of the Effective Date and depicted on the map on the following page

ATTACHMENT "C"
TO FRANCHISE AGREEMENT

LEASE ADDENDUM

[See Attached]

Lease Addendum

THIS AGREEMENT dated this ____ day of _____, 20__ among Spa 810 L L C , an Arizona limited liability company, with principal offices at 7950 E Redfield Road, Suite 280, Scottsdale, Arizona 85260 (the "Franchisor"), _____, a(n) _____, with principal offices located at _____ (the "Landlord"), and _____, a(n) _____, with principal offices located at _____ (the "Tenant/Franchisee")

Introduction

A On _____, the Tenant/Franchisee and the Franchisor entered a SPA 810, Franchise Agreement (the "Franchise Agreement") Under the Franchise Agreement, the Franchisor granted the Tenant/Franchisee the right, and the Tenant/Franchisee undertook the duty, to operate a SPA 810 franchised business (the "Franchised Business") at the Premises (defined below)

B Simultaneously with entering this Agreement, the Landlord and the Tenant/Franchisee are entering a lease agreement (the "Lease") Under the Lease, the Tenant/Franchisee leases the premises described in Exhibit "A" (the "Premises")

C To protect the Franchisor's rights and interests under the Franchise Agreement, the Landlord grants certain rights to the Franchisor under the Lease as set forth below

Agreement

The parties, therefore, agree as follows

1 Notices At the same time such notices are sent to the Tenant/Franchisee, the Landlord must provide the Franchisor with copies of all written notices of default that it sends to the Tenant/Franchisee The Landlord agrees to send such copies by first-class mail, postage prepaid, to the Franchisor at its address set forth above or such other address as the Franchisor may notify the Landlord in writing

2 Right to Cure If the Tenant/Franchisee defaults under the Lease, the Franchisor has the right (but not the duty) to cure such default within 15 days following the expiration of any applicable cure period Furthermore, in such event, the Franchisor may immediately commence occupancy of the Premises as the tenant under the Lease without obtaining the Landlord's or Franchisee's consent The Franchisor may thereafter assign the Lease to another SPA 810 franchisee or to an entity owned and/or controlled by the Franchisor If it does, the Franchisor must first obtain the Landlord's written approval of the assignee The Landlord, however, must neither unreasonably withhold nor delay its approval thereof The Landlord will acknowledge any such assignment in writing No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration

3 Right to Assign At any time (including, without limitation, upon the expiration or sooner termination of the Franchise Agreement) without the Landlord's prior consent, the Tenant/Franchisee may assign the Lease to the Franchisor In such event, the Franchisor may thereafter assign the Lease to another SPA 810 franchisee or to an entity owned and/or controlled by the Franchisor If it does, the Franchisor must first obtain the Landlord's written approval of the assignee The Landlord, however, must neither unreasonably withhold nor delay its approval thereof The Landlord will acknowledge any such assignment in writing No assignment permitted under this Section is subject to any assignment or similar fee or will cause any rental acceleration

4 Right of First Refusal The Landlord agrees that upon the expiration or termination of the Lease, the Franchisor shall have the first right of refusal to lease the Premises as the new tenant

5 Expiration or Termination of Franchise Agreement The Landlord agrees that the expiration or termination of the Franchise Agreement shall constitute a default under the Lease, giving the Franchisor the right, but not the obligation, to cure such default by succeeding to Tenant/Franchisee's interests under the Lease in accordance with Section 2 above

6 Acknowledgement of Rights The Landlord acknowledges the Franchisor's rights under the Franchise Agreement to enter the Premises to (i) make any modifications or alterations necessary in the Franchisor's sole discretion to protect its franchise system and its trademarks without being guilty of trespass or any other tort or crime, and (ii) remove any trade fixtures, interior or exterior signs and other items bearing the Franchisor's trademarks or service marks upon the expiration or termination of the Franchise Agreement

7 Modification of Lease Without the Franchisor's prior written consent, the Landlord and the Tenant/Franchisee may not amend, modify, supplement, terminate, renew or extend the Lease

8 Miscellaneous

a In the event of any inconsistency between the terms of this Agreement and the terms of the Lease, the terms of this Agreement control

b All of the terms of this Agreement, whether so expressed or not, are binding upon, inure to the benefit of, and are enforceable by the parties and their respective personal and legal representatives, heirs, successors and permitted assigns

c The provisions of this Agreement may be amended, supplemented, waived or changed only by a written document signed by all the parties to this Agreement and making specific reference to this Agreement

d This Agreement may be executed in one or more counterparts, each of which is an original, but all of which together constitute one and the same instrument Confirmation of execution by telex or by telecopy facsimile signature page is binding upon any party so confirming or telecopying

IN WITNESS WHEREOF, this Agreement has been executed the date and year first above written

FRANCHISOR

Spa 810 L L C , an Arizona limited liability company

By _____
Name _____
Its _____

LANDLORD

_____, (a)n _____

By _____
Name _____
Its _____

TENANT/FRANCHISEE

_____, (a)n _____

By _____
Name _____
Its _____

EXHIBIT "A" TO LEASE ADDENDUM

DESCRIPTION OF PREMISES

ATTACHMENT "D"
TO FRANCHISE AGREEMENT
FRANCHISE OWNER AGREEMENT

[See Attached]

FRANCHISE OWNER AGREEMENT

This Franchise Owner Agreement (this "Agreement") is entered into by (i) each of the undersigned owners of Franchisee (defined below), and (ii) the spouse of each such owner, in favor of Spa 810 L L C , an Arizona limited liability company, and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement. Each signatory to this Agreement is referred to as "you".

1 Definitions For purposes of this Agreement, the following terms have the meanings given to them below

Competitive Business means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides cosmetic laser and skin services to the general public

Copyrights means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow SPA 810 franchisees to use, sell or display in connection with the marketing and/or operation of a SPA 810 business, whether now in existence or created in the future

Franchise Agreement means the SPA 810 Franchise Agreement executed by Franchisee with an effective date of _____

Franchised Business means the SPA 810 business operated by Franchisee pursuant to the Franchise Agreement

Franchisee means _____

Improvements means any additions, modifications or improvements to (i) the goods or services offered at a SPA 810 business, (ii) the method of operation of a SPA 810 business or (iii) any marketing or promotional ideas relating to a SPA 810 business, whether developed by you, Franchisee or any other person

Intellectual Property means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements

Know-how means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a SPA 810 business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual

Manual means our confidential brand standards manual for the operation of a SPA 810 business

Marks means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a SPA 810 business, including "SPA 810," and any other trademarks, service marks or trade names that we designate for use in a SPA 810 business. The term "Marks" also includes any distinctive trade dress used to identify a SPA 810 business, whether now in existence or hereafter created

Prohibited Activities means any or all of the following (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business), (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees), and/or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to Owner or to any other person that is not then a franchisee of ours

Restricted Period means the two (2) year period after the earliest to occur of the following (i) the termination or expiration of the Franchise Agreement, (ii) the date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest, or (iii) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable, provided however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the one (1) year period after the earliest to occur of the following (i) the termination or expiration of the Franchise Agreement, (ii) the

date on which Franchisee assigns the Franchise Agreement to another person with respect to whom neither you nor your spouse holds any direct or indirect ownership interest, or (iii) the date on which you cease to be an owner of Franchisee or your spouse ceases to be an owner of Franchisee, as applicable

' *Restricted Territory* means the geographic area within (i) a 15 mile radius from Franchisee's Franchised Business (and including the Franchised Business premises itself), and (ii) a 15 radius from all other SPA 810 businesses that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period, provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 15 mile radius from Franchisee's Franchised Business (and including the Franchised Business premises itself)

' *System* means our distinct system for the operation of a SPA 810 business, the distinctive characteristics of which include logo, trade secrets, distinct products and services, confidential manuals and operating system

2 Background In your capacity as an owner of Franchisee, or the spouse of an owner of Franchisee, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In addition, you understand that certain terms of the Franchise Agreement apply to "owners" and not just Franchisee. You agree to comply with the terms of this Agreement in order to (i) avoid damaging our System by engaging in unfair competition, and (ii) bind yourself to the terms of the Franchise Agreement applicable to owners

3 Brand Protection Covenants

(a) Intellectual Property You agree (i) you will not use the Know-how in any business or capacity other than the Franchised Business operated by Franchisee, (ii) you will maintain the confidentiality of the Know-how at all times, (iii) you will not make unauthorized copies of documents containing any Know-how, (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how, and (v) you will stop using the Know-how immediately if you are no longer an owner of Franchisee or your spouse is an owner of Franchisee, as applicable. You further agree that you will not use the Intellectual Property for any purpose other than the development and operation of the Franchised Business pursuant to the terms of the Franchise Agreement and Manual. You agree to assign to us or our designee, without charge, all rights to any Improvement developed by you, including the right to grant sublicenses. If applicable law precludes you from assigning ownership of any Improvement to us, then such Improvement shall be perpetually licensed by you to us free of charge, with full rights to use, commercialize, and sublicense the same.

(b) Unfair Competition During Relationship You agree not to unfairly compete with us at any time while you are an owner of Franchisee or while your spouse is an owner of Franchisee, as applicable, by engaging in any Prohibited Activities.

(c) Unfair Competition After Relationship You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities, provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity (any such extension of time will not be construed as a waiver of your breach or otherwise impair any of our rights or remedies relating to your breach).

(d) Immediate Family Members You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-

how to family members Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member

(e) Covenants Reasonable You acknowledge and agree that (i) the terms of this Agreement are reasonable both in time and in scope of geographic area, and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE** Although you and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area, we may at any time unilaterally modify the terms of the system protection covenants in Section 3 of this Agreement, upon written notice to you, by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under Section 3 of this Agreement to ensure that the terms and covenants are enforceable under applicable law

(f) Breach You agree that failure to comply with the covenants in this Section 3 will cause substantial and irreparable damage to us and/or other SPA 810 franchisees for which there is no adequate remedy at law Therefore, you agree that any violation of these covenants will entitle us to injunctive relief You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby) If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000 None of the remedies available to us under this Section are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages

4 Transfer Restrictions If you are an owner of Franchisee, you acknowledge that we must approve all persons who hold a direct or indirect ownership interest in Franchisee Accordingly, you agree that you will not, directly or indirectly or by operation of law, sell, assign, mortgage, pledge or in any manner transfer any direct or indirect ownership interest in Franchisee except in accordance with the terms and conditions set forth in Section 20.2 of the Franchise Agreement

5 Financial Security In order to secure Franchisee's financial obligations under the Franchise Agreement and all ancillary agreements executed by Franchisee in connection with the Franchise Agreement, including, but not limited to, any agreement for the purchase of goods or services from us or an affiliate of ours and any promissory note related to payments owed to us (collectively, the "Secured Agreements"), you, jointly and severally, personally and unconditionally (a) guarantee to us and our successor and assigns, that Franchisee shall punctually fulfil all of its payment and other financial obligations under the Secured Agreement, and (b) agree to be personally bound by, and personally liable for, each and every monetary provision in the Secured Agreements You waive (1) acceptance and notice of acceptance by us of the foregoing undertakings, (2) notice of demand for payment of any indebtedness guaranteed, (3) protest and notice of default to any party with respect to the indebtedness guaranteed, (4) any right you may have to require that an action be brought against Franchisee or any other person as a condition of liability, and (5) the defense of the statute of limitations in any action hereunder or for the collection of any indebtedness hereby guaranteed You agree that (1) your direct and immediate liability under this guaranty shall be joint and several with Franchisee and all other signatories to this Agreement, (2) you will render any payment required under the Secured Agreements upon demand if Franchisee fails or refuses punctually to do so, (3) your liability shall not be contingent or conditioned upon pursuit by us of any remedies against Franchisee or any other person, and (4) liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence that we may grant to

Franchisee or to any other person, including the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which shall in any way modify or amend this guarantee, which shall be continuing and irrevocable during the term of each of the Secured Agreements and following the termination, expiration or transfer of each of the Secured Agreements to the extent any financial obligations under any such Secured Agreements survive such termination, expiration or transfer. This guaranty will continue unchanged by the occurrence of any bankruptcy with respect to Franchisee or any assignee or successor of Franchisee or by any abandonment of one or more of the Secured Agreements by a trustee of Franchisee. Neither your obligation to make payment in accordance with the terms of this undertaking nor any remedy for enforcement shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of Franchisee or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U S Bankruptcy Act or other statute, or from the decision of any court or agency.

6 Dispute Resolution Any dispute between the parties relating to this Agreement shall be brought in accordance with the dispute resolution procedures set forth in the Franchise Agreement. Notwithstanding the foregoing, if any of the dispute resolution procedures set forth in the Franchise Agreement conflict with any of the terms of this Agreement, the terms of this Agreement shall prevail. **You acknowledge and agree that a breach of this Agreement by you shall constitute a material event of default under the Franchise Agreement, permitting us to terminate the Franchise Agreement in accordance with the terms thereof.**

7 Miscellaneous

(a) If either party hires an attorney or files suit against the other party relating to or alleging a breach of this Agreement, the losing party agrees to pay the prevailing party's reasonable attorneys' fees and costs incurred in connection with such breach.

(b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

(d) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion, and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area.

(e) You agree that we may deliver to you any notice or other communication contemplated by this Agreement in the same manner and to the same address listed in the notice provisions of the Franchise Agreement and any such delivery shall be deemed effective for purposes of this Agreement. You may change the address to which notices must be sent by sending us a written notice requesting such change, which notice shall be delivered in the manner and to the address listed in the Franchise Agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement as of the date or dates set forth below.

OWNER / SPOUSE

By _____

Name _____

Date _____

OWNER / SPOUSE

By _____

Name _____

Date _____

OWNER / SPOUSE

By _____

Name _____

Date _____

OWNER / SPOUSE

By _____

Name _____

Date _____

ATTACHMENT "E"
TO FRANCHISE AGREEMENT
ACH AUTHORIZATION FORM

[See Attached]

ATTACHMENT "F"
TO FRANCHISE AGREEMENT
BRAND PROTECTION AGREEMENT

[See Attached]

BRAND PROTECTION AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of Spa 810 L L C , an Arizona limited liability company, and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement

1 Definitions For purposes of this Agreement, the following terms have the meanings given to them below

Competitive Business means any business competitive with us (or competitive with any of our affiliates or our franchisees) that provides cosmetic laser and skin services to the general public

Copyrights means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow SPA 810 franchisees to use, sell or display in connection with the marketing and/or operation of a SPA 810 business, whether now in existence or created in the future

Franchisee means the SPA 810 franchisee for whom you are an officer, director, employee or independent contractor

Improvements means any additions, modifications or improvements to (i) the goods or services offered at a SPA 810 business, (ii) the method of operation of a SPA 810 business or (iii) any marketing or promotional ideals relating to a SPA 810 business, whether developed by you, Franchisee or any other person

Intellectual Property means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements

Know-how means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a SPA 810 business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual

Manual means our confidential brand standards manual for the operation of a SPA 810 business

Marks means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a SPA 810 business, including "SPA 810," and any other trademarks, service marks or trade names that we designate for use in a SPA 810 business. The term "Marks" also includes any distinctive trade dress used to identify a SPA 810 business, whether now in existence or hereafter created

Prohibited Activities means any or all of the following (i) owning, operating or having any other interest (as an owner, partner, director, officer, employee, manager, consultant, shareholder, creditor, representative, agent or in any similar capacity) in a Competitive Business (other than owning an interest of five percent (5%) or less in a publicly traded company that is a Competitive Business), (ii) diverting or attempting to divert any business from us (or one of our affiliates or franchisees), and/or (iii) inducing (a) any of our employees or managers (or those of our affiliates or franchisees) to leave their position or (b) any customer of ours (or of one of our affiliates or franchisees) to transfer their business to you or to any other person that is not then a franchisee of ours

Restricted Period means the two (2) year period after you cease to be an officer, director, employee or independent contractor of Franchisee, provided, however, that if a court of competent jurisdiction determines that this period of time is too long to be enforceable, then the "Restricted Period" means the one (1) year period after you cease to be an officer, director, employee or independent contractor of Franchisee

Restricted Territory means the geographic area within (i) a 15 mile radius from Franchisee's SPA 810 center (and including the center premises itself), and (ii) a 15 radius from all other SPA 810 businesses that are operating or under construction as of the Effective Date and remain in operation or under construction during all or any part of the Post-Term Restricted Period, provided, however, that if a court of competent jurisdiction determines that the foregoing Restricted Territory is too broad to be enforceable, then the "Restricted Territory" means the geographic area within a 15 mile radius from Franchisee's SPA 810 center (and including the center premises itself)

System means our distinct system for the operation of a SPA 810 business, the distinctive characteristics

of which include logo, trade secrets, distinct products and services, confidential manuals and operating system

2 Background You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3 Intellectual Property You agree (i) you will not use the Know-how in any business or capacity other than the SPA 810 business operated by Franchisee, (ii) you will maintain the confidentiality of the Know-how at all times, (iii) you will not make unauthorized copies of documents containing any Know-how, (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how, and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4 Unfair Competition During Relationship You agree not to unfairly compete with us at any time while you are an officer, director, employee or independent contractor of Franchisee by engaging in any Prohibited Activities.

5 Unfair Competition After Relationship You agree not to unfairly compete with us during the Restricted Period by engaging in any Prohibited Activities, provided, however, that the Prohibited Activity relating to having an interest in a Competitive Business will only apply with respect to a Competitive Business that is located within or provides competitive goods or services to customers who are located within the Restricted Territory. If you engage in any Prohibited Activities during the Restricted Period, then you agree that your Restricted Period will be extended by the period of time during which you were engaging in the prohibited activity.

6 Immediate Family Members You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family (i) engages in any Prohibited Activities during any period of time during which you are prohibited from engaging in the Prohibited Activities or (ii) uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

7 Covenants Reasonable You acknowledge and agree that (i) the terms of this Agreement are reasonable both in time and in scope of geographic area, and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement. **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE.**

8 Breach You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other SPA 810 franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may

have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement

9 Miscellaneous

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so

(b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion, and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms reasonable in scope, duration and geographic area

(d) You and we both believe that the covenants in this Agreement are reasonable in terms of scope, duration and geographic area. However, we may at any time unilaterally modify the terms of this Agreement upon written notice to you by limiting the scope of the Prohibited Activities, narrowing the definition of a Competitive Business, shortening the duration of the Restricted Period, reducing the geographic scope of the Restricted Territory and/or reducing the scope of any other covenant imposed upon you under this Agreement to ensure that the terms and covenants in this Agreement are enforceable under applicable law

This Brand Protection Agreement is executed as of the date or dates set forth below

RESTRICTED PARTY

By _____

Name _____

Date _____

By signing below, I hereby affirm that I witnessed the person named above execute this Agreement on the date set forth below his or her name

WITNESS

By _____

Name _____

Date _____

ATTACHMENT "G"
TO FRANCHISE AGREEMENT
CONFIDENTIALITY AGREEMENT

[See Attached]

CONFIDENTIALITY AGREEMENT

This Agreement (this "Agreement") is entered into by the undersigned ("you") in favor of Spa 810 L L C , an Arizona limited liability company, and its successors and assigns ("us"), upon the terms and conditions set forth in this Agreement

1 Definitions For purposes of this Agreement, the following terms have the meanings given to them below

Copyrights ' means all works and materials for which we or our affiliate has secured common law or registered copyright protection and that we allow SPA 810 franchisees to use, sell or display in connection with the marketing and/or operation of a SPA 810 business, whether now in existence or created in the future

Franchisee means the SPA 810 franchisee for whom you are an officer, director, employee or independent contractor

Improvements means any additions, modifications or improvements to (i) the goods or services offered at a SPA 810 business, (ii) the method of operation of a SPA 810 business or (iii) any marketing or promotional ideals relating to a SPA 810 business, whether developed by you, Franchisee or any other person

Intellectual Property means, collectively or individually, our Marks, Copyrights, Know-how, System and Improvements

Know-how means all of our trade secrets and other proprietary information relating to the development, construction, marketing and/or operation of a SPA 810 business, including, but not limited to, methods, techniques, specifications, procedures, policies, marketing strategies and information comprising the System and the Manual

Manual means our confidential brand standards manual for the operation of a SPA 810 business

Marks means the logotypes, service marks, and trademarks now or hereafter involved in the operation of a SPA 810 business, including "SPA 810," and any other trademarks, service marks or trade names that we designate for use in a SPA 810 business. The term "Marks" also includes any distinctive trade dress used to identify a SPA 810 business, whether now in existence or hereafter created

System means our distinct system for the operation of a SPA 810 business, the distinctive characteristics of which include logo, trade secrets, distinct products and services, confidential manuals and operating system

2 Background You are an officer, director, employee or independent contractor of Franchisee. As a result of this association, you may gain knowledge of our System and Know-how. You understand that protecting the Intellectual Property is vital to our success and that of our franchisees and that you could seriously jeopardize our entire franchise system if you were to unfairly compete with us. In order to avoid such damage, you agree to comply with the terms of this Agreement.

3 Know-How and Intellectual Property You agree (i) you will not use the Know-how in any business or capacity other than the SPA 810 business operated by Franchisee, (ii) you will maintain the confidentiality of the Know-how at all times, (iii) you will not make unauthorized copies of documents containing any Know-how, (iv) you will take such reasonable steps as we may ask of you from time to time to prevent unauthorized use or disclosure of the Know-how, and (v) you will stop using the Know-how immediately if you are no longer an officer, director, employee or independent contractor of Franchisee. You further agree that you will not use the Intellectual Property for any purpose other than the performance of your duties for Franchisee and within the scope of your employment or other engagement with Franchisee.

4 Immediate Family Members You acknowledge that you could circumvent the purpose of this Agreement by disclosing Know-how to an immediate family member (i.e., spouse, parent, sibling, child, or grandchild). You also acknowledge that it would be difficult for us to prove whether you disclosed the Know-how to family members. Therefore, you agree that you will be presumed to have violated the terms of this Agreement if any member of your immediate family uses or discloses the Know-how. However, you may rebut this presumption by furnishing evidence conclusively showing that you did not disclose the Know-how to the family member.

5 Covenants Reasonable You acknowledge and agree that (i) the terms of this Agreement are reasonable both in time and in scope of geographic area, and (ii) you have sufficient resources and business experience and opportunities to earn an adequate living while complying with the terms of this Agreement **YOU HEREBY WAIVE ANY RIGHT TO CHALLENGE THE TERMS OF THIS AGREEMENT AS BEING OVERLY BROAD, UNREASONABLE OR OTHERWISE UNENFORCEABLE**

6 Breach You agree that failure to comply with the terms of this Agreement will cause substantial and irreparable damage to us and/or other SPA 810 franchisees for which there is no adequate remedy at law. Therefore, you agree that any violation of the terms of this Agreement will entitle us to injunctive relief. You agree that we may apply for such injunctive relief, without bond, but upon due notice, in addition to such further and other relief as may be available at equity or law, and the sole remedy of yours, in the event of the entry of such injunction, will be the dissolution of such injunction, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of any such injunction being expressly waived hereby). If a court requires the filing of a bond notwithstanding the preceding sentence, the parties agree that the amount of the bond shall not exceed \$1,000. None of the remedies available to us under this Agreement are exclusive of any other, but may be combined with others under this Agreement, or at law or in equity, including injunctive relief, specific performance and recovery of monetary damages. Any claim, defense or cause of action that you may have against us or against Franchisee, regardless of cause or origin, cannot be used as a defense against our enforcement of this Agreement.

7 Miscellaneous

(a) If we hire an attorney or file suit against you because you have breached this Agreement and prevail against you, you agree to pay our reasonable attorneys' fees and costs in doing so.

(b) This Agreement will be governed by, construed and enforced under the laws of Arizona and the courts in that state shall have jurisdiction over any legal proceedings arising out of this Agreement.

(c) Each section of this Agreement, including each subsection and portion thereof, is severable. In the event that any section, subsection or portion of this Agreement is unenforceable, it shall not affect the enforceability of any other section, subsection or portion, and each party to this Agreement agrees that the court may impose such limitations on the terms of this Agreement as it deems in its discretion necessary to make such terms enforceable.

This Confidentiality Agreement is executed as of the date set forth below.

RESTRICTED PARTY

By _____

Name _____

Date _____

By signing below, I hereby affirm that I witnessed the person named above execute this Agreement on the date set forth below his or her name.

WITNESS

By _____

Name _____

Date _____

EXHIBIT "D"

TO DISCLOSURE DOCUMENT

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EXHIBIT "E"
TO DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

Part A (Current Franchisees)

State	City	Address	Phone	Owner Name(s)
Arizona	Peoria	7541 W Bell Road Suite #102 Peoria Arizona 85382	(623) 570-5389	Andrea Jefferson & Shan McKee (Blue Bird Valley, LLC)
Arizona	Scottsdale	10893 N Scottsdale Rd Scottsdale Arizona 85254	(480) 588-6809	Andrea Jefferson & Shan McKee (Red Bird Valley, LLC)
Arizona	Scottsdale	23425 N Scottsdale Road Suite A4 Scottsdale Arizona 85255	(480) 513-8813	Kristy Steck (Scottsdale Vitality Med Spa LLC)
Arkansas	Fayetteville	3379 North College Ave , Suite #2 Fayetteville, Arkansas 72703	(479) 435-7200	ArkanSpa LLC (Strategic Franchise Partners)
Arkansas	Rogers	5001 West Pauline Whitaker Parkway, Suite 115 Rogers, Arkansas 72758	(479) 877-7041	Richard & Kristy Holland (ArkanSpa LLC)
Colorado	Denver	6759 E Bellevue Ave Denver, Colorado 80237	(303) 221-9393	Dr Kristine Hirschfield (Spa810 Colorado Pilot LLC)
Florida	Winter Park	25 N Orlando Ave, Suite 115 Winter Park, Florida 32789	(407) 790 7876	Fabio Hugonnet (Tangavanda LLC)
Florida	N Miami Beach	2250 NE 163rd Street N Miami Beach, Florida 33160	(786) 347-6100	Leslie Schwimmer (Sanexa LLC)
Georgia	Atlanta	1380 Atlantic Drive, NW Suite 14170 Atlanta, Georgia 30363	(404) 400-7215	Nicole Smith (NDS International Group Inc)
Georgia	Atlanta	3535 Peachtree Rd NE, Suite 530 Atlanta, Georgia 30326	(404) 474-0077	Shivani & Vikram Kaul (A & S Holdings LLC)
Georgia*	To Be Determined	To Be Determined	To Be Determined	Shivani & Vikram Kaul (A & S Holdings LLC)
Georgia*	To Be Determined	To Be Determined	To Be Determined	Nicole Smith (NDS International Group Inc)
Georgia*	To Be Determined	To Be Determined	To Be Determined	Nicole Smith (NDS International Group Inc)
Georgia*	To Be Determined	To Be Determined	To Be Determined	Amy Perrault
Illinois*	To Be Determined	To Be Determined	To Be Determined	Mike Antonucci (MGA Enterprises)
Indiana*	To Be Determined	To Be Determined	To Be Determined	Brian Knoderer & Scott Urban
Iowa	Ankeny	1802 SE Delaware Suite 107 Ankeny, Iowa 50021	(515) 414-2822	Steve Walker (Heartland Franchise Developers)
Kentucky	Louisville	4303 Summit Plaza Drive Louisville, Kentucky 40241	(502) 384-3328	Dr Rahul Reddy (RPRRRKA LLC)

State	City	Address	Phone	Owner Name(s)
Minnesota	Roseville	1607 W County Rd C Roseville, Minnesota 55113	(651) 756-1809	Cole Wallis (Roseville LLC)
Nebraska*	Omaha	To Be Determined	To Be Determined	Steve Walker (Heartland Franchises LLC)
Nevada	Henderson	40 N Valle Verde, #110 Henderson, Nevada 89074	(702) 733-8810	David Bourne (Kieraco, LLC)
New Jersey*	To Be Determined	To Be Determined	To Be Determined	Vladimir Belkin (High Tide Holdings LLC)
New Jersey*	To Be Determined	To Be Determined	To Be Determined	Vladimir Belkin (High Tide Holdings LLC)
New Jersey*	To Be Determined	To Be Determined	To Be Determined	Vladimir Belkin (High Tide Holdings LLC)
New Jersey	Weehawken	500 Avenue At Port Imperial Weehawken, New Jersey 07086	(201) 430-8741	Michele Dowd & Diana Minervini (Exit Strategies LLC)
Ohio*	Columbus	To Be Determined	To Be Determined	Dr Rahul Reddy (RPRRRKA LLC)
Oklahoma	Tulsa	9136 S Sheridan Road, Suite A Tulsa, Oklahoma 74133	(539) 202-6464	Jeff O Bryan (O Bryan Business Group Inc)
Tennessee*	Nashville	To Be Determined	To Be Determined	Dr Rahul Reddy (RPRRRKA LLC)
Texas	Houston	4525 Washington Ave Suite #200 Houston, Texas 77007	(713) 344-0591	Nishant & Shelley Kalra (Curemed LLC)
Texas*	To Be Determined	To Be Determined	To Be Determined	Dr Nishant Kalra (CureMed Wellness LLC)
Texas	Dallas	2222 McKinney Ave #120 Dallas, Texas 75201	(469) 730-3333	Greg Smith & Mara Pinney (Mara Day Spa LLC)
Texas	Dallas	6110 Luther Lane Dallas, Texas 75225	(214) 373 9500	Greg Smith & Mara Pinney (Mara Day Spa LLC)
Texas*	Austin	3512 RR 620 N Austin, Texas 78734	To Be Determined	Lane & Chris Christianson
Texas*	Frisco	1701 Legacy Drive, Ste 2000 Frisco, TX 75034	To Be Determined	Ram Aligeti (AV SRA MEDSPA, LLC) Plunk Smith
Texas	Plano	8232 Preston Rd Suite 115 Plano, Texas 75024	(469) 786-5874	Jason & Charles Ellison (Ellison Spa LLC)

* These outlets were not open as of December 31, 2017

Part B (Former Franchisees Who Left System During Prior Fiscal Year)

State	City	Current Business Phone or Last Known Home Phone	Owner Name(s)
Arizona	Peoria	(623) 570-5389	Tom & Mangem Nacinovich
Florida	Tampa	(407) 203-0203	Mourad El Banna (MySpa LLC)
New Jersey	Weehawken	(201) 430-8741	Michele Dowd & Diana Minervini (Exit Strategies LLC)
Texas	Dallas	(469) 730-3333	Henry Melton & Michael Warden (H Melton Ventures, LLC)
Texas	Dallas	(214) 373 9500	Melissa Herold & Melissa Montgomery (MSquared)
Texas	Lakeway	(512) 842-4213	David & Laurel Belfiore (DLB Enterprises LLC)

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

RECEIVED
DEPT OF BUSINESS OVERSIGHT
SAN FRANCISCO
2018 OCT -4 AM 10 30

EXHIBIT "F"
TO DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

[See Attached]

RECEIVED
DEPT OF BUSINESS OVERSIGHT
SAN FRANCISCO
2018 OCT -4 AM 10 30

2 21 PM
09/24/18
Accrual Basis

Spa810 LLC Debtor In Possession Case 2 18-bk-06718

Balance Sheet

As of August 31 2018

	Aug 31 18
ASSETS	
Current Assets	
Checking/Savings	
East West Bank	82 937 59
Total Checking/Savings	82 937 59
Accounts Receivable	
Accounts Receivable	92 802 91
National Advertising Fund	15 257 88
Total Accounts Receivable	108 060 79
Total Current Assets	190 998 38
Fixed Assets	
Accumulated Depreciation	-49 420 15
Computer Equipment	10 988 57
Furniture and Equipment	27 226 48
Leasehold Improvements	38 395 41
Signs	22 789 94
Total Fixed Assets	49 969 25
Other Assets	
Security Deposit	3 360 00
Total Other Assets	3 360 00
TOTAL ASSETS	244 327.63
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	20 221 08
Total Accounts Payable	20 221 08
Other Current Liabilities	
National Advertising Funds	15 651 16
Total Other Current Liabilities	15 651 16
Total Current Liabilities	35 872 24
Long Term Liabilities	
Accounts Subject to Compromise	2 532,914 64
Total Long Term Liabilities	2 532 914 64
Total Liabilities	2 568 786 88
Equity	
Opening Balance Equity	4 061 85
Pre-Petition Equity	2 486 234 61
Net Income	157 713 61
Total Equity	2 324 459 25
TOTAL LIABILITIES & EQUITY	244,327 63

RECEIVED
DEPT OF BUSINESS OVERSIGHT
SAN FRANCISCO
2018 OCT -4 AM 10 30

2 21 PM
09/24/18
Accrual Basis

Spa810 LLC Debtor In Possession Case 2 18-bk-06718
Profit & Loss
March 23 through June 10 2018

	Mar 23	Jun 10 18
Ordinary Income/Expense		
Income		
License Fee Income		30 750 00
Royalty Income		89 105 33
Total Income		129 855 33
Expense		
Area Representative Royalty		35 553 46
Total Expense		35 553 46
Net Ordinary Income		94 301 87
Net Income		94,301.87

2 20 PM

Spa810 LLC Debtor In Possession Case 2 18-bk 06718

09/24/18

Profit & Loss

Accrual Basis

June 11 through August 31, 2018

	Jun 11	Aug 31 18
Ordinary Income/Expense		
Income		
Franchise Release Fee		50 000 00
License Fee Income		67 500 00
Referral Fee		10 000 00
Royalty Income		42 552 34
Sale of Houston Franchise		100 000 00
Total Income		270 052 34
Expense		
Area Developer Franchise Fee		7 250 00
Area Representative Royalty		11 182 45
Bank Service Charges		70 00
Broker Fees		7 250 00
Computer and Internet Expenses		979 09
Contract Services		12 000 00
Equipment Lease		315 51
FDD Audit Expense		4 250 00
FDD Legal Expense		29 585 00
Insurance Expense		
Work Comp		944 00
Insurance Expense Other		1 790 60
Total Insurance Expense		2 734 60
Meals and Entertainment		1 781 37
Office Expense		5 286 97
Office Supplies		290 71
Payroll Service Expense		374 80
Payroll Tax Expense		4 655 50
Postage Expense		100 00
Professional Fees		3 500 00
Rent Expense		12,841 91
Reorganization Expense		
Accounting Expense		2,200 00
Legal Expense		58 732 50
UST Fee		975 00
Total Reorganization Expense		61 907 50
Travel Expense		2 336 77
Utilities		2 316 77
Wage Expense		35 971 75
Total Expense		208 640 70
Net Ordinary Income		63 411 64
Net Income		63,411 64

SPA 810, LI C

Consolidated Financial Statements
With Independent Auditor's Report
December 31, 2017, 2016 and 2015 (Restated)



SPA 810, LLC

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Independent Auditor's Report

To the Members
SPA 810 LLC
Scottsdale, AZ 85260

We were engaged to audit the accompanying consolidated financial statements of Spa 810 LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017, 2016, and 2015 and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements. These financial statements are the responsibility of the Company's management.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Company did not adequately record its expenses and liabilities during the year ended December 31, 2017, resulting in a pervasive and potentially material misstatement. We were unable to apply auditing procedures to substantially test the completeness of the Company's expenses and liabilities in order to determine any necessary adjustments.

The Company ceased the retainage of legal counsel during the year ended December 31, 2017. As such, we were unable to confirm the impact on the financial statements of any contingent liabilities that could arise from litigation with third parties during the year under audit and through the report date to determine any necessary adjustments or disclosures. As the Company has entered into bankruptcy and has a history of material litigation with related and third parties, we considered this scope limitation to be pervasive.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these financial statements.

Emphasis of Matter

As discussed in Note 12 of the financial statements (restated) the 2015 financial statements have been restated to correct errors.

As discussed in Note 13 to the financial statements, the Company has entered into bankruptcy protection under Chapter 11 of the United States Bankruptcy Code.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the financial statements, the Company has suffered losses from operations and has a net capital deficiency that raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Kezar & Dunbar

St. George Utah
September 4, 2018

SPA 810 LLC
Combined Balance Sheets
As of December 31, 2017, 2016, and 2015

Assets	2017	2016	2015*
Current assets			
Cash and cash equivalents	\$ 926	\$ 78,795	\$ 16,472
Accounts receivable, net		137,161	
Deferred commissions	280,871	235,871	361,371
Other current assets			
Total current assets	<u>281,797</u>	<u>451,827</u>	<u>377,843</u>
Non-current assets			
Contract receivables, net		105,000	
Investments		55,000	55,000
Property and equipment, net	23,969	86,137	114,001
Other asset	16,201	9,456	9,456
Total non-current assets	<u>40,170</u>	<u>255,593</u>	<u>178,457</u>
Total assets	<u>\$ 321,967</u>	<u>\$ 707,420</u>	<u>\$ 556,300</u>
Liabilities and Members' Equity			
Current liabilities			
Accounts payable	\$ 549,514	\$ 956,056	\$ 379,630
Accrued liabilities	7,100	305	8,549
Credit card payable	38,177	37,264	38,337
Interest payable	78,871	141,871	
Other liabilities	519,643	484,056	385,000
Deferred revenue	2,163,345	2,008,000	1,405,000
Construction management deposits	105,363		
Related party payable	62,402	95,000	15,000
Notes payable	46,971	124,754	100,000
Current portion of loans payable	15,221	13,658	13,239
Total current liabilities	<u>3,586,607</u>	<u>3,860,964</u>	<u>2,544,755</u>
Non-current liabilities			
Loans payable	12,642	62,847	75,026
Total liabilities	<u>3,599,249</u>	<u>3,923,811</u>	<u>2,619,781</u>
Members' equity			
Members' interests, restated	191,624	190,722	161,270
Accumulated members' deficit	<u>(3,468,906)</u>	<u>(3,407,113)</u>	<u>(2,024,751)</u>
Total members' deficit	<u>(3,277,282)</u>	<u>(3,216,391)</u>	<u>(1,863,481)</u>
Total liabilities and members' equity	<u>\$ 321,967</u>	<u>\$ 707,420</u>	<u>\$ 556,300</u>

The accompanying notes are an integral part of these financial statements.

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 12.

SPA 810 LLC
 Combined Statements of Operations
 For the years ended December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Operating revenue			
Franchise Fees	\$ 1,109,250	\$ 1,234,000	\$ 422,500
Royalty income	94,659	198,931	144
Equipment sales	49,000	73,749	32,000
Service income	11,607	145,659	388,168
Product income	659	22,703	20,881
Other income	70,858	65,586	7,263
Total operating revenue	<u>1,336,033</u>	<u>1,740,627</u>	<u>870,956</u>
Cost of equipment sales	<u>1,009</u>	<u>18,813</u>	<u>21,435</u>
Gross profit	<u>1,335,024</u>	<u>1,721,815</u>	<u>849,521</u>
Operating expenses			
Selling expense	45,000	596,372	89,000
General and administrative	1,078,632	1,549,429	1,187,595
Depreciation	<u>36,305</u>	<u>36,763</u>	<u>12,457</u>
Total operating expenses	<u>1,159,937</u>	<u>2,182,564</u>	<u>1,289,052</u>
Operating income (loss)	175,087	(460,750)	(439,531)
Non-operating revenue (expense)			
Interest expense	(14,572)	(149,293)	
Guaranteed payments	(153,049)	(210,000)	(282,056)
Gain/(loss) on sale of investments	(55,000)		33,356
Gain on sale of equipment	11,841		
Estimated settlement	<u>(26,100)</u>	<u>(457,940)</u>	<u>(385,000)</u>
Total non-operating revenue (expense)	<u>(236,880)</u>	<u>(817,232)</u>	<u>(633,700)</u>
Net loss	<u>\$ (61,793)</u>	<u>\$ (1,277,982)</u>	<u>\$ (1,073,231)</u>

The accompanying notes are an integral part of these financial statements

Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 12

SPA 810 LLC
Combined Statements of Member's Equity
For the years ended December 31, 2017, 2016, and 2015

	Members' Capital*	Accumulated Members' Interests*	Total*
Balances at December 31, 2014	\$ 51,757	\$ (610,288)	\$ (558,531)
Members' contributions	109,513		109,513
Members' distributions		(341,232)	(341,232)
Net loss		(1,073,231)	(1,073,231)
Balances at December 31, 2015	161,270	(2,024,751)	(1,863,481)
Members' contributions	29,452		29,452
Members' distributions		(104,380)	(104,380)
Net loss	-	(1,277,982)	(1,277,982)
Balances at December 31, 2016	190,722	(3,407,113)	(3,216,391)
Members' contributions	902		902
Net loss	-	(61,793)	(61,793)
Balances at December 31, 2017	<u>\$ 191,624</u>	<u>\$ (3,468,906)</u>	<u>\$ (3,277,282)</u>

The accompanying notes are an integral part of these financial statements

*Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 12

SPA 810 LLC
Combined Statement of Cash Flows
For the years ended December 31 2017 2016 and 2015

	2017	2016	2015*
Cash flow from operating activities			
Net loss	\$ (61 793)	\$ (1 277 982)	\$ (1 073,231)
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Bad debt expense	181 100	160 250	
Gain on sale of equipment	(11 841)		
Loss on disposal of investment	55 000		
Depreciation	36 305	36 763	12 457
Changes in operating assets and liabilities			
Accounts receivable	61 061	(297 411)	
Deferred commissions	(15 000)	125 500	(306 371)
Other current assets			3 000
Other assets	(6 745)		(322)
Contract receivables		(105 000)	
Accounts payable	85 658	576 425	312,226
Accrued liabilities	6 795	(8 244)	(35 662)
Credit card payable	913	(1 073)	35 970
Interest payable	-	141 871	
Other liabilities	35 587	99 056	385 000
Construction management deposits	105,363		
Deferred revenue	(609 855)	603 000	782 500
Net cash provided (used) by operating activities	(137 452)	53 155	115,567
Cash flows from investing activities			
Purchases of fixed assets		(8 899)	(27 395)
Sales of investments			25 000
Net cash provided (used) by investing activities		(8 899)	(2 395)
Cash flows from financing activities			
Draws on notes payable	37,217	24 755	
Payments on notes payable	(15 000)		
Payment on loans	(10 938)	(11 760)	(10 220)
Advances on related party payable	47 402	80 000	5 146
Members contributions	902	29 452	109,513
Members distributions		(104 380)	(341 232)
Net cash provided (used) by financing activities	59 583	18 067	(236 793)
Net increase (decrease) in cash	(77 869)	62 323	(123 621)
Cash at the beginning of the year	78 795	16 472	140 093
Cash at the end of the year	<u>\$ 926</u>	<u>\$ 78 795</u>	<u>\$ 16 472</u>

The accompanying notes are an integral part of these financial statements

Certain amounts shown here do not correspond to the 2015 financial statements and reflect adjustments made. Refer to Note 12

SPA 810 LLC
 Combined Statement of Cash Flows (Continued)
 For the years ended December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 14,572	\$ 7,422	\$ 7,433
Non-cash investing and financing activities			
Reduction of loan payable through disposal of vehicle	\$ 37,704	\$	\$
Sale of Area Developer Interests in lieu of cash payment on payables	\$ 765,200	\$	\$
Purchase of vehicles with loan payable	\$	\$	\$ 86,990
Debt converted to member's contributions	\$	\$	\$ 80,000

The accompanying notes are an integral part of these financial statements.

Certain amounts shown here do not correspond to the 2015 financial statement and reflect adjustments made. Refer to Note 12.

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

SPA 810, LLC was formed on April 2, 2012 in the State of Arizona, as a limited liability company. Originally formed under the name Body Solutions, LLC, the Company changed its name to SPA 810 LLC in August 2012. The Company began doing business in fiscal year 2013. The SPA 810 franchises provide cosmetic laser and skin services to the general public along with related products and services, in a retail store setting. The Company offers both single unit franchises and regional developer licenses.

Spa 810 Esplanade, LLC was formed in the State of Arizona as a limited liability company in October 2014. Spa 810 Esplanade, LLC provides cosmetic laser and skin services to the general public along with related products and services in a retail store setting. Spa 810 Esplanade is fully owned by Spa 810 LLC.

Spa 810 Fralu, LLC was formed in the State of Arizona as a limited liability company in September 2014. Spa 810 Fralu, LLC provides cosmetic laser and skin services to the general public along with related products and services, in a retail store setting. Spa 810 Fralu, LLC was 60% owned by Spa 810 LLC and any non controlling interest is considered immaterial. The Company's 60% ownership of Spa 810 Fralu, LLC was sold December 7, 2015 for \$25,000, and the entity was dissolved.

Spa810 Management, LLC was formed in the State of Arizona as a limited liability company in April 2016. Spa810 Management, LLC provides management services to Spa 810, LLC and Spa 810 Esplanade, LLC. Spa810 Management, LLC is fully owned by Spa 810, LLC.

Distributions are made at the discretion of management, based upon available cash flow. The liability of the members of the Company is limited to the members' total capital contributions.

The company uses the accrual basis of accounting and their accounting period is the 12 month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board ('FASB') has issued the FASB Accounting Standards Codification ('ASC') that became the single official source of authoritative U.S. generally accepted accounting principles ('GAAP'), other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB, American Institute of Certified Public Accountants, Emerging Issues Task Force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP, it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with GAAP. Significant items subject to such estimates

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

and assumptions include the carrying amount of property and equipment, valuation allowances for receivables, and estimated losses on settlements. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in-transit from banks for payments related to third-party credit card and debit card transactions. As of December 31, 2017, 2016, and 2015 the Company had cash and cash equivalents of \$926, \$78,795, and \$16,472, respectively.

(e) Receivables

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and upon provision/shipment and invoicing of services or materials from the Company's offices. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collections, customers' current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer's ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received. As of December 31, 2017, 2016, and 2015 the company had accounts receivable of \$76,100, \$137,161, and \$0, respectively with an allowance for doubtful accounts of \$76,100, \$0, and \$0, respectively.

Contract receivables are recorded for amounts due based on contracts for franchise and area developer agreement sales. Contract receivables are classified as current if they are due within one year of the balance sheet date and non-current for amounts due in more than one year. As of December 31, 2017, 2016, and 2015 the Company had contracts receivable of \$220,250, \$265,250, and \$0, respectively with an allowance for doubtful accounts of \$220,250, \$160,250, and \$0, respectively.

(f) Long Lived Assets

Long-lived assets, such as property and equipment, are recorded at cost and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset. No impairment has been recognized to date.

(g) Revenue Recognition

The Company's revenues consist of fees from franchisees, such as initial fees, royalties, renewal fees, transfer fees, and regional developer fees. The franchise agreements offered under the Company's Uniform Franchise Disclosure Document have a term of ten years with an option to renew the agreement.

SPA 810, LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

for one additional ten year term. The initial fee consists of the "franchise" fee and the franchise equipment package – the cost of building out the franchised location including the laser equipment and other related supplies. The franchise fee is currently \$45,000 and the equipment package ranges from \$150,000 to \$287,000 depending on the size of the location. When multiple single units are purchased concurrently, each additional franchise is discounted \$5,000 from the previous franchise fee. The Company recognizes the franchise fee(s) as revenue when the Company has performed substantially all initial services required by the franchise agreement. Those initial services are generally considered substantially performed when the franchisee has completed the initial training and the franchisee has opened an office and started operations. The Company recognizes the equipment package fee once the build out and installation is complete. Revenue from regional agreements is recognized when the Company has completed all material support and services to the regional developer. Regional developer agreements require the opening of an initial pilot location.

The initial franchise is discounted when a franchisee purchases multiple franchises at the same time.

For franchise locations not yet open as of the end of a reporting period, the franchise license fee and direct costs recognized related to commissions and fees paid are deferred until the office has opened.

Continuing bi-weekly royalty fees are recognized as revenue upon receipt. These royalty fees are based on the franchise agreement and are generally 6% of the franchisee's gross bi-weekly receipts. The Company has the right to collect 2% of franchisee gross revenues for a national advertising fund. The company began billing for this fee in 2016.

Revenue from materials and services such as training is recognized upon provisioning/shipment and invoicing.

Seller Financed Sales

The Company entered into several significant seller financed franchise and regional developer license sales arrangements. The terms of the arrangements generally require payments to be made to the Company as the regional developers sell franchise units within their territories. Because of the inherent uncertainty related to cash payments for these sales, the Company has not recorded notes related to these sales and will recognize revenue as cash is received and the company's obligations relative to those sales are fulfilled.

(h) Income Taxes

The entity is organized as a limited liability company (LLC) under the laws of the State of Arizona. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification ("ASC") Topic 740 Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016 and 2015 (restated)

the Company, the additional income taxes, if any would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2017, the following tax years are subject to examination:

<u>Jurisdiction</u>	<u>Open Years for Filed Returns</u>	<u>Return Filed In 2017</u>
Federal	2014-2016	2016
Arizona	2014-2016	2016

(i) Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2017, 2016, and 2015 were \$8,434, \$65,686, and \$24,250, respectively.

(j) Financial Instruments

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) Concentration of Risk

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) Deferred Commissions

Deferred commissions consist of broker fees that have been paid but deferred until such time as the revenue from the corresponding franchise agreement or regional developer agreement is recognized. As December 31, 2017, 2016, and 2015, a total of \$280,871, \$235,871, and \$361,371 of broker fees have been deferred, respectively.

(3) Property and Equipment

Acquisition 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, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income and retained earnings. Depreciation is provided over the estimated useful life of five years and is computed using the straight-line method. Depreciation expense for the years ended December 31, 2017, 2016, and 2015 was \$36,305, \$36,763, and \$12,457, respectively.

SPA 810, LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

Property and equipment consists of the following at December 31

Carrying Amount	2017	2016	2015
Furniture and Equipment	\$ 36,891	\$ 36,891	\$ 27,992
Vehicles	25,048	91,316	91,316
Leasehold Improvements	7,350	7,350	7,350
Less Accumulated Depreciation	(45,320)	(49,420)	(12,657)
Property and Equipment, Net	\$ 23,969	\$ 86,137	\$ 114,001

(4) Investments

In 2013, the Company made an investment of \$55,000 in Spa 810 McKinney LLC, a joint venture with a H Melton Enterprises. During 2017, the joint venture was sold and all proceeds are due to the joint venture partner. The Company recognized a loss upon disposal of \$55,000 in 2017.

(5) Accrued and Other Liabilities

At December 31, 2015, accrued liabilities of \$8,549 consisted of amounts relating to the sale of Spa 810 Fralu, LLC gift card and sales tax liabilities. Other liabilities consist of \$385,000 estimated settlement payments. See Note (9) for further disclosure on the settlement payments.

At December 31, 2016, accrued liabilities of \$305 consisted of gift card and sales tax liabilities. Other liabilities consisted of \$21,556 in marketing funds held for franchising advertising and estimated settlement payments of \$462,500. See Note (9) for further disclosure on the settlement payments.

At December 31, 2017, accrued liabilities of \$7,100 consisted of gift card and sales tax liabilities. Other liabilities consisted of \$31,042 in marketing funds held for franchising advertising and estimated settlement payments of \$488,601. See Note (9) for further disclosure on the settlement payments. Construction management deposits of \$105,363 consists of amounts received by the Company from its franchisees to build and remodel various locations. These amounts will be paid out to contractors for work performed.

(6) Deferred Revenue

As of December 31, 2015, the Company had deferred franchise revenue of \$1,405,000. This amount consists of several regional developer agreements and franchise sales for which the Company had not provided initial services and locations were not operating. The payments had been fully received as of the end of that year.

As of December 31, 2016, the Company had deferred franchise revenue of \$2,008,000. This amount consists of several regional developer agreements and franchise sales for which the Company had not provided initial services and locations were not operating. The payments had been fully received as of the end of that year.

As of December 31, 2017, the Company had deferred franchise revenue of \$2,163,345. Of this amount, \$930,000 was received in prior years and \$420,000 was received in 2017. During the year, the Company sold Area Representative interests in the amount of \$765,200 to reduce debt and pay for services.

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

previously provided. This amount consists of several regional developer agreements and franchise sales for which the Company had not provided initial services and locations were not operating.

(7) Related party payable

Related party payable consists of short-term loans made to the Company by members and other related parties. Loans are short-term and bear no interest. Amounts outstanding at December 31, 2017, 2016, and 2015 were \$62,402, \$95,000 and \$15,000, respectively. Accrued interest of \$78,871 has been recorded for previous loans.

(8) Notes payable

On November 4, 2014, the Company entered into a note payable for \$100,000. The note began accruing interest on January 1, 2016 at a rate of 8.5% with a due date of February 2017. In June of 2017, the note was satisfied through the issuance of a 33% ownership interest in an Area Representative. As of December 31, 2017, the Company has not fulfilled its obligations concerning the Area Representative agreement and the amount has been recorded under deferred revenue.

On August 1, 2016, the Company entered into a note payable for various costs paid by the Lender in the amount of \$24,753. In 2017, this loan was increased to a total of \$50,000. The note bears 10% interest with monthly payments of \$5,000 beginning March 1, 2017 for 10 consecutive months with the full principal and accrued interest balance due on May 1, 2018. As the Company entered into bankruptcy proceedings, payments for the loan have not been made and the balance is \$40,213 as of December 31, 2017. See Note (14) for more information.

(9) Loans payable

On March 8, 2015, the Company entered into a note payable for \$28,332 for the purchase of a vehicle. The note bears interest at 7.19% and is payable in 72 monthly installments of \$485. At December 31, 2017, 2016 and 2015, the remaining balance on the loan was \$17,413, \$22,633 and \$26,073, respectively.

On September 3, 2015, the Company entered into a note payable for \$62,481 for the purchase of a vehicle. The note bears interest at 8.89% and is payable in 72 monthly installments of \$839. In October 2017, the vehicle was repossessed and sold to satisfy a portion of the loan as the Company ceased paying the monthly installments. At December 31, 2017, 2016 and 2015, the remaining balance on the loan was \$10,450, \$53,872 and \$62,192, respectively.

The future maturities of the notes payable are as follows as of December 31:

Year	Principal
2018	\$ 15,221
2019	5,126
2020	5,507
2021	2,009
Thereafter	\$

SPA 810 LLC

Notes to the consolidated financial statements
December 31, 2017, 2016, and 2015 (restated)

(10) Commitments and Contingencies

Litigation

The Company may be subject to various claims, legal actions and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450 Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is probable and the amount of loss can be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible" disclosure is made, including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

On October 1, 2014, SPA 810, LLC, John Dunatov and Samantha Theaumont filed a Complaint in the Superior Court of Maricopa County, Arizona. On December 3, 2014, a First Amended Complaint was filed alleging defamation per se, defamation, and intentional interference with business expectancies against all defendants relating to posts made on the website RipOffReport.com regarding the plaintiffs. The plaintiffs are seeking unspecified damages exceeding \$555,000, and punitive damages in the amount of \$500,000, and an order that search engines de-index the posts. On December 29, 2014, Margie Canthers filed a Counterclaim alleging that SPA 810, LLC failed to pay \$10,000 in wages and \$10,000 in bonuses, business expenses and severance benefits. Ms. Canthers alleges breach of contract, unjust enrichment and violation of the Arizona Wage Statute, and seeks treble damages (\$60,000), interest and attorney fees. Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report.

In March 2016, the Company entered into a settlement agreement related to fiscal year 2013 transactions in which the party purchased a regional developer agreement. Pursuant to terms of a second amended agreement dated October 21, 2015, the Company agreed to purchase back from the rights under the regional developer agreement for \$135,000. The amount has been recorded as other liabilities and loss on settlement for fiscal year 2015. As of December 31, 2017, that liability had been paid.

Angela Henry, Jerome Malone Secured Legacy Franchise Development Inc and Sagemont Developers Inc v John Dunatov, Timothy Reilly, Kanna Reilly and Spa 810 LLC

The Company is a defendant in the Lawsuit which was filed in Texas state court on June 15, 2015. The plaintiffs sought rescission of Regional Developer Agreements entered into with the Company, and a return of the fees paid thereunder in the total amount of \$450,000, and attorneys' fees. The Company removed the Lawsuit to federal court, the U.S. District Court for the Southern District of Texas, Houston Division, on July 22, 2015. As required by the Regional Developer Agreements at issue in the Lawsuit, and pursuant to the Motion to Compel, the parties agreed to conduct mediation pursuant to an Agreed Order (Regarding Mediation and Arbitration) that was entered by U.S. District Court on January 4, 2016. The Lawsuit was abated, pending the mediation and (if unsuccessful) an arbitration.

The parties attended mediation on March 15, 2016. At the mediation, the parties successfully negotiated and agreed to terms of a settlement. A Settlement Agreement was executed on April 20, 2016, whereby judgement was issued in June 2017 for \$462,500. As of December 31, 2015, the amount of \$250,000 was recorded in other liabilities, and the Company recognized the settlement loss during the year ended

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

December 31, 2015 For the year ending December 31 2016 a settlement loss of \$212,500 was recognized The total estimated liability at December 31 2017 and 2016 was \$462,500

H Melton Ventures matter

Two affiliated companies H Melton Ventures LLC and H Melton Ventures RD LLC (collectively, "HMTV") were owners and operators of two units in the Dallas/Fort Worth area as well as regional developers in that region On September 6 2016, HMTV's attorneys sent a demand for mediation or arbitration alleging that they were fraudulently induced to sign their agreements, and the Spa810 had breached its contractual obligations Spa810 responded with vigorous denials and was prepared to litigate the matter fully following mediation, however on the eve of mediation HMTV's principals were placed into receivership, and the mediation was cancelled HMTV's principals and HMTV have since attempted to resuscitate their claims, but have not actively demanded mediation or arbitration at this time Mediation or arbitration will be necessary in the future, as HMTV and Spa810 are entitled to distributions on a balloon payment from the purchaser of one of HMTV's franchises and have disputed how those proceeds should be disbursed The sales agreement calls for that dispute to be arbitrated No liability has been accrued in relation to this matter Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report

Business Alliance Inc v Spa810, LLC

The Company executed a Referral Agreement with Business Alliance Inc dated May 14, 2015 whereby Business Alliance agreed to generate and provide individual and business prospect referrals for the purchase of SPA 81 franchise opportunities The contract required the Company to pay certain sums within in seventy two hours after receiving of funds for the execution of a Franchise Sale Agreement, Area/Master Development Agreement of other similar agreement In June 2016, Business Alliance Inc, filed suit alleging breach of contract for payments not made in accordance with the agreement A judgment was entered against Spa810 in the amount of \$71,507 This amount is accrued as accounts payable as of December 31, 2017 and 2016 Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report

Bright Oak Studio LLC v Spa 810 LLC

On April 3, 2017, Bright Oak Studio, LLC filed suit against the Company for failure to pay rent and other amounts owed under a lease for a Spa 810 location in which the Company and area representative were joint venture partners The Company did not respond to the complaint and judgement was entered against the Company on June 8 2017 in the amount of \$26,100 which was accrued under other liabilities on the balance sheet Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report

American Express Centurion Bank v John Dunatov and Spouses

On May 17, 2017 American Express Centurion Bank filed suit against the Company for failure to repay credit under the terms of the credit account The parties entered into a settlement agreement on July 25 2017 in which the Company agreed to pay the account balance of \$23,537 plus \$386 of court costs This amount is included on the balance sheet as credit card payable Auditor is unable to obtain further details

SPA 810, LLC

Notes to the consolidated financial statements December 31, 2017, 2016, and 2015 (restated)

on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report

(11) Joint Venture

In December 2013, the Company sold a regional developer license for \$250,000 for a Dallas, Texas regional territory. As part of the agreement, the Company agreed to form a joint venture partnership with the buyer for the purposes of opening a SPA 810 franchise. Pursuant to the agreement, the Company contributed approximately \$150,000 in the form of equipment for a 50% interest in the joint venture. The Company also committed to manage the build out of the location. The joint venture agreement provided the buyer an option to purchase the Company's interests in the joint venture entity once the joint venture was covering its costs. The Company sold its interest in the joint venture on November 12, 2015 for \$80,000.

(12) Restatement

The Company has restated its previously issued financial statements for 2015 primarily to reflect the correction of errors related to a loan payable that was incurred during fiscal year 2014 but not recorded and expenses incurred in 2015 but not reported. GAAP requires that expenses be reported in the period incurred and that the related liability be reported.

	<u>2015</u>
Net loss	
As previously reported	(846,230)
As restated	(1,073,231)

The Company's restated financial statements reflect these items in the periods in which they actually arose. The effect of the correction of these errors on results of operation for the above-mentioned financial statements as follows for 2015:

	<u>2015</u>
Total members deficit	
As previously reported	(1,536,480)
As restated	(1,863,481)
Notes payable	
As previously reported	-
As restated	100,000
Accounts payable	
As previously reported	(152,629)
As restated	(379,629)

SPA 810 LLC

Notes to the consolidated financial statements December 31, 2017, 2016 and 2015 (restated)

(13) Bankruptcy

On June 11, 2018, the Company—along with Phoenix Global Consulting Services, Inc.—filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in the district of Arizona due to ongoing operating losses and significant expenses incurred from various suits brought against the Company. The Company has entered into negotiations with a potential buyer to acquire the Company's assets and liabilities.

(14) Going Concern Basis of Accounting

The Company's financial statements have been prepared on a going concern basis. As of December 31, 2017, the Balance Sheet reflected an excess of current liabilities over current assets of \$3,304,810. The working capital deficit was primarily caused by accounts payable of \$549,514, other liabilities of \$519,643, and deferred revenue of \$2,163,345. In the same period, the Company had operating cash outflows of \$137,452.

To address the future additional funding requirements of the company, since December 31, 2017 the members have undertaken the following initiatives: restructured loans payables, actively pursued franchise sales, declared bankruptcy under Chapter 11 of the United States Bankruptcy Code. Further, the Company has entered into negotiations with a potential buyer to acquire the Company's assets and liabilities. Should the acquisition proceed, management estimates that the Company will be able to have sufficient working capital to continue operations and expand.

The members are satisfied that the Company is able to meet its working capital liabilities through these initiatives and thus no adjustments have been made relating to recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(15) Subsequent Events

In April 2018, CJS Pinnacle LLC filed a suit against the Company for allegedly unpaid fees incurred for the security system used in the Company's corporate offices. The Company is unable to estimate the likelihood of an unfavorable judgment as of the date of this report.

In June 2018, Ozark Business Advisors, LLC dba Transworld Business Advisors of Northwest Arkansas filed a suit against the Company for alleged unpaid broker fees. The Company is unable to estimate the likelihood of an unfavorable judgment as of the date of this report.

Management has reviewed and evaluated subsequent events through the date on which the financial statements were issued.

SPA 810, I I C

Combined Financial Report

December 31 2016 2015 and 2014 (Restated)



SPA 810 LLC

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Report of Independent Auditors

To the Members
SPA 810 LLC
Scottsdale AZ 85260

We have audited the accompanying combined financial statements of Spa810 LLC and its subsidiaries which comprise the combined balance sheets as of December 2016, 2015, and 2014, and the related combined statements of operations, members' 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 combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. Except as discussed in the following paragraph, 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 combined financial statements are free from material misstatement.

We were unable to confirm the status of current litigation from attorneys utilized by the Company for cases during the year under audit and through the report date to determine any necessary adjustments or disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the association's preparation and fair presentation of the combined 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 association'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 combined 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 except for the limitation on the scope of our audit described above the combined financial statements referred to above present fairly in all material respects the financial position of Spa810 LLC and its subsidiaries as of December 31 2016, 2015 and 2014 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 of the financial statements (restated) the 2014 and 2015 financial statements have been restated to correct errors

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 13 to the financial statements the Company has suffered losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Kezas J. Dunbar

St. George Utah
October 12 2017

SPA 810 LLC
Combined Balance Sheets
Years ended December 31, 2016, 2015, and 2014

Assets	2016	2015	2014
Current assets			
Cash and cash equivalents	\$ 78,795	\$ 16,472	\$ 140,093
Accounts receivable	137,161		
Deferred commissions	235,871	361,371	55,000
Other current assets			3,000
Total current assets	<u>451,827</u>	<u>377,843</u>	<u>198,093</u>
Non-current assets			
Contract receivables, net	105,000		
Investments	55,000	55,000	77,411
Property and equipment, net	86,137	114,001	3,166
Other asset	9,456	9,456	9,134
Total non-current assets	<u>255,593</u>	<u>178,457</u>	<u>89,711</u>
Total assets	<u>\$ 707,420</u>	<u>\$ 556,300</u>	<u>\$ 287,804</u>
Liabilities and Members' Equity			
Current liabilities			
Accounts payable	\$ 956,054	\$ 379,629	\$ 67,403
Accrued liabilities	305	8,549	44,211
Credit card payable	37,264	38,337	2,367
Interest payable	141,871		
Other liabilities	484,056	385,000	
Deferred revenue	2,008,000	1,405,000	622,500
Related party payable	95,000	15,000	9,854
Notes payable	124,754	100,000	100,000
Current portion of loans payable	13,658	13,239	
Total current liabilities	<u>3,860,962</u>	<u>2,344,754</u>	<u>846,535</u>
Non-current liabilities			
Loans payable	62,847	75,026	
Total liabilities	<u>3,923,810</u>	<u>2,419,780</u>	<u>846,535</u>
Members' equity			
Members' interests restated	190,722	161,270	51,757
Accumulated members' deficit	(3,407,113)	(2,024,751)	(610,288)
Total members' deficit	<u>(3,216,391)</u>	<u>(1,863,481)</u>	<u>(558,531)</u>
Total liabilities and members' equity	<u>\$ 707,420</u>	<u>\$ 556,300</u>	<u>\$ 287,804</u>

The accompanying notes are an integral part of the financial statements.

SPA 810 LLC
Combined Statements of Operations
For the years ended December 31, 2016, 2015, and 2014

	2016	2015	2014
Operating revenue			
Franchise Fees	\$ 1,234,000	\$ 422,500	\$ 990,066
Royalty income	198,931	144	
Equipment sales	75,749	32,000	
Service income	145,659	388,168	210,719
Product income	22,703	20,881	2,528
Other income	65,586	7,263	38,014
Total operating revenue	<u>1,740,627</u>	<u>870,956</u>	<u>1,241,127</u>
Cost of equipment sales	<u>18,815</u>	<u>21,435</u>	<u>9,042</u>
Gross profit	<u>1,721,815</u>	<u>849,521</u>	<u>1,232,085</u>
Operating expenses			
Selling expense	596,372	89,000	95,000
General and administrative	1,549,429	1,187,595	696,631
Depreciation	<u>36,763</u>	<u>12,457</u>	<u>200</u>
Total operating expenses	<u>2,182,564</u>	<u>1,289,052</u>	<u>791,831</u>
Operating income (loss)	(460,750)	(439,531)	440,254
Non-operating revenue (expense)			
Interest expense	(149,293)		
Guaranteed payments	(210,000)	(282,056)	(593,900)
Gain on sale of investments		33,356	
Estimated settlement	<u>(457,940)</u>	<u>(385,000)</u>	
Total non operating revenue (expense)	<u>(817,233)</u>	<u>(633,700)</u>	<u>(593,900)</u>
Net loss	<u>\$ (1,277,982)</u>	<u>\$ (1,073,231)</u>	<u>\$ (153,646)</u>

The accompanying notes are an integral part of the financial statements

SPA 810 LLC
Combined Statements of Member's Equity
For the years ended December 31, 2016, 2015 and 2014

	Members Capital	Accumulated Members' Interests (Restated)	Total
Balances at December 31, 2013	\$ 4,174	\$ (356,642)	\$ (352,468)
Restatement		(100,000)	(100,000)
Members contributions	47,583		47,583
Net loss		(153,646)	(153,646)
Balances at December 31, 2014	51,757	(610,288)	(558,531)
Members contributions	109,513		109,513
Members distributions	-	(341,232)	(341,232)
Net loss		(1,073,231)	(1,073,231)
Balances at December 31, 2015	161,270	(2,024,751)	(1,863,481)
Members contributions	29,452		29,452
Members distributions		(104,380)	(104,380)
Net loss		(1,277,982)	(1,277,982)
Balances at December 31, 2016	<u>\$ 190,722</u>	<u>\$ (3,407,113)</u>	<u>\$ (3,216,391)</u>

The accompanying notes are an integral part of the financial statements

SPA 810 LLC
Combined Statement of Cash Flows
For the years ended December 31, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Cash flow from operating activities			
Net loss	\$ (1,277,982)	\$ (1,073,231)	\$ (153,646)
Adjustments to reconcile net income to net cash provided (used) by operating activities			
Bad debt expense	160,250		
Depreciation	36,763	12,457	200
Changes in operating assets and liabilities			
Accounts receivable	(297,411)		
Deferred commissions	125,500	(306,371)	(20,000)
Other current assets		3,000	
Other assets		(322)	(12,134)
Contract receivables	(105,000)		
Accounts payable	576,425	312,226	67,403
Accrued liabilities	(8,244)	(35,662)	(3,000)
Credit card payable	(1,073)	35,970	2,367
Interest payable	141,871		
Other liabilities	99,056	385,000	(173,000)
Deferred revenue	603,000	782,500	337,500
Net cash provided (used) by operating activities	<u>53,155</u>	<u>115,567</u>	<u>45,690</u>
Cash flows from investing activities			
Purchases of fixed assets	(8,899)	(27,395)	(3,366)
Purchases of investments			(77,411)
Sales of investments		25,000	
Net cash provided (used) by investing activities	<u>(8,899)</u>	<u>(2,395)</u>	<u>(80,777)</u>
Cash flows from financing activities			
Notes payable	24,754		
Payment on loans	(11,760)	(10,220)	
Advances on related party payable	80,000	5,146	9,854
Members' contributions	29,452	109,513	47,583
Members' distributions	(104,380)	(341,232)	
Net cash provided (used) by financing activities	<u>18,066</u>	<u>(236,793)</u>	<u>57,437</u>
Net increase (decrease) in cash	62,323	(123,621)	22,350
Cash at the beginning of the year	<u>16,472</u>	<u>140,093</u>	<u>117,743</u>
Cash at the end of the year	<u>\$ 78,795</u>	<u>\$ 16,472</u>	<u>\$ 140,093</u>

The accompanying notes are an integral part of the financial statements.

SPA 810 LLC
 Combined Statement of Cash Flows (Continued)
 For the years ended December 31, 2016, 2015, and 2014

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Supplementary disclosures of cash flows			
Cash paid for interest	\$ 7,422	\$ 7,433	\$
Non cash investing and financing activities			
Purchase of vehicles with loan payable	\$	\$ 86,990	\$
Debt converted to member's contributions	\$	\$ 80,000	\$

The accompanying notes are an integral part of the financial statements

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015, and 2014 (restated)

(1) Nature of Business and Summary of Significant Accounting Policies

(a) Nature of Business

Spa 810 LLC was formed on April 2, 2012 in the State of Arizona, as a limited liability company. Originally formed under the name Body Solutions, LLC, the Company changed its name to SPA 810 LLC in August 2012. The Company began doing business in fiscal year 2013. The SPA 810 franchises provide cosmetic laser and skin services to the general public and sell related products and services in a retail store setting. The Company offers both single unit franchises and regional developer licenses.

Spa 810 Esplanade LLC in the State of Arizona, as a limited liability company in October 2014. Spa 810 Esplanade LLC provides cosmetic laser and skin services to the general public and sells related products and services, in a retail store setting. Spa 810 Esplanade is fully owned by Spa 810 LLC.

Spa 810 Fralu LLC, in the State of Arizona, a limited liability company in September 2014. Spa 810 Fralu, LLC provides cosmetic laser and skin services to the general public and sells related products and services, in a retail store setting. Spa 810 Fralu, LLC was 60% owned by Spa 810 LLC and any non-controlling interest is considered immaterial. The Company's 60% ownership of Spa 810 Fralu LLC was sold December 7, 2015 for \$25,000 and the entity was dissolved.

Spa810 Management LLC in the State of Arizona, a limited liability company in April 2016. Spa810 Management, LLC provides management services to Spa 810, LLC and Spa 810 Esplanade. Spa810 Management, LLC is fully owned by Spa 810 LLC.

All four companies "the Company" have common ownership and are in similar lines of business. As such, these companies are presented in these combined financial statements.

Distributions are made at the discretion of management, based upon available cash flow. The liability of the members of the Company is limited to the members' total capital contributions.

The company uses the accrual basis of accounting, and their accounting period is the 12-month period ending December 31 of each year.

(b) Accounting Standards Codification

The Financial Accounting Standards Board (FASB) has issued the FASB Accounting Standards Codification ("ASC") that became the single official source of authoritative U.S. generally accepted accounting principles ("GAAP") other than guidance issued by the Securities and Exchange Commission (SEC), superseding existing FASB American Institute of Certified Public Accountants, emerging issues task force and related literature. All other literature is not considered authoritative. The ASC does not change GAAP; it introduces a new structure that is organized in an accessible online research system.

(c) Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities to

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015, and 2014 (restated)

prepare these financial statements in conformity with GAAP. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation allowances for receivables, and estimated losses on settlements. Actual results could differ from those estimates.

(d) Cash and Cash Equivalents

Cash equivalents include all highly liquid investments with maturities of three months or less at the date of purchase. Also included within cash equivalents are deposits in transit from banks for payments related to third party credit card and debit card transactions. As of December 31, 2016, 2015, and 2014 the company had cash and cash equivalents of \$78,795, \$16,472, and \$140,093, respectively.

(e) Receivables

Accounts receivable are recorded for amounts due based on the terms of executed franchise agreements for franchise sales, royalty fees, and upon provision/shipment and invoicing of services or materials from the Company's offices. Accounts receivable are recorded at the invoiced amount and do not bear interest although a finance charge may be applied to such receivables that are past the due date. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company determines the allowance based on historical collections, customers' current creditworthiness, age of the receivable balance both individually and in the aggregate, and general economic conditions that may affect the customer's ability to pay. All account balances are reviewed on an individual basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. When recoveries of receivables previously charged off are made, they are recognized as income when payment is received. As of December 31, 2016, 2015, and 2014 the company had accounts receivable of \$137,161, \$0, and \$0, respectively with no allowance for doubtful accounts.

Contract receivables are recorded for amounts due based on contracts for franchise and area developer agreement sales. Contract receivables are classified as current if they are due within one year of the balance sheet date and non-current for amounts due in more than one year. As of December 31, 2016, 2015, and 2014 the company had contracts receivable of \$265,250, \$0, and \$0, respectively with an allowance for doubtful accounts of \$160,250, \$0, and \$0, respectively.

(f) Long-Lived Assets

Long-lived assets, such as property and equipment, are recorded at cost and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the difference between the carrying amount of the asset and the fair value of the asset. No impairment has been recognized to date.

(g) Revenue Recognition

The Company's revenues consist of fees from franchisees such as initial fees, royalties, renewal fees, transfer fees, and regional developer fees. The franchise agreements offered under the Company's Uniform Franchise Disclosure Document have a term of ten years with an option to renew the agreement.

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015 and 2014 (restated)

for one additional ten year term. The initial fee consists of the franchise fee and the franchise equipment package – the cost of building out the franchised location including the laser equipment and other related supplies. The franchise fee is currently \$45,000 and the equipment package ranges from \$150,000 to \$287,000 depending on the size of the location. When multiple single units are purchased concurrently, each additional franchise is discounted \$5,000 from the previous franchise fee. The Company recognizes the franchise fee(s) as revenue when the Company has performed substantially all initial services required by the franchise agreement. Those initial services are generally considered substantially performed when the franchisee has completed the initial training and the franchisee has opened an office and started operations. The Company recognizes the equipment package fee once the build out and installation is complete. Revenue from regional agreements is recognized when the Company has completed all material support and services to the regional developer. Regional developer agreements require the opening of an initial pilot location.

The initial franchise is discounted when a franchisee purchases multiple franchises at the same time.

For franchise locations not yet open as of the end of a reporting period, the franchise license fee, and direct costs recognized related to commissions and fees paid are deferred until the office has opened.

Continuing bi-weekly royalty fees are recognized as revenue upon receipt. These royalty fees are based on the franchise agreement and are generally 6% of the franchisee's gross bi-weekly receipts. The Company has the right to collect 2% of franchisee gross revenues for a national advertising fund. The company began billing for this fee in 2016.

Revenue from materials and services such as training is recognized upon provisioning, shipment and invoicing.

Seller Financed Sales

The Company entered into several significant seller financed franchise and regional developer license sales arrangements. The terms of the arrangements generally require payments to be made to Company as the regional developers sell franchise units within their territories. Because of the inherent uncertainty related to cash payments for these sales, the Company has not recorded notes related to these sales, and will recognize revenue as cash is received and the company's obligations relative to those sales are fulfilled.

(h) Income Taxes

The entity is organized as a limited liability company (LLC) under the laws of the State of Arizona. A limited liability company is classified as a partnership for federal and state income tax purposes and, accordingly, the income or loss of the Company will be included in the income tax returns of the members. Therefore, there is no provision for federal and state income taxes.

The Company follows the guidance under Accounting Standards Codification (ASC) Topic 740, Accounting for Uncertainty in Income Taxes. ASC Topic 740 prescribes a more likely than not measurement methodology to reflect the financial statement impact of uncertain tax positions taken or expected to be taken in the tax return. If taxing authorities were to disallow any tax positions taken by

SPA 810 LLC

Notes to the financial statements
December 31, 2016, 2015 and 2014, (restated)

the Company, the additional income taxes, if any, would be imposed on the members rather than the Company. Accordingly, there would be no effect on the Company's financial statements.

The company's income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of December 31, 2016, the following tax years are subject to examination:

Jurisdiction	Open Years for Filed Returns	Return Filed in 2016
Federal	2013-2015	2015
Arizona	2013-2015	2015

(i) *Advertising Costs*

The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2016, 2015, and 2014 were \$65,686, \$24,250, and \$7,780, respectively.

(j) *Financial Instruments*

For certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable, and accounts payable, the carrying amounts approximate fair value due to their short maturities. The amounts shown for notes payable also approximate fair value because current interest rates and terms offered to the Company for similar debt are substantially the same.

(k) *Concentration of Risk*

The Company maintains its cash in bank deposit accounts that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risks on cash or cash equivalents.

(2) *Deferred Commissions*

Deferred commissions consist of broker fees that have been paid but deferred until such time as the revenue from the corresponding franchise agreement or regional developer agreement is recognized. As of December 31, 2016, 2015, and 2014, a total of \$235,871, \$361,371, and \$55,000 of broker fees have been deferred, respectively.

(3) *Property and Equipment*

Acquisition 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, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statements of income and retained earnings. Depreciation is provided over the estimated useful life of five years and is computed using the straight-line method. Depreciation expense for the years ended December 31, 2016, 2015, and 2014 was \$36,763, \$12,457, and \$200, respectively.

SPA 810 LLC

Notes to the financial statements
December 31, 2016, 2015, and 2014 (restated)

Property and equipment consists of the following at December 31

Carrying Amount	2016	2015	2014
Furniture and Equipment	\$ 36,891	\$ 27,992	\$ 3,366
Vehicles	91,316	91,316	
Leasehold improvements	7,350	7,350	
Less accumulated depreciation	(49,420)	(12,657)	(200)
Property and equipment, net	\$ 86,137	\$ 114,001	\$ 3,166

(4) Accrued and Other Liabilities

At December 31, 2014, accrued liabilities consisted of accrued payroll and gift card liabilities.

At December 31, 2015, accrued liabilities consisted of amounts due relating to the sale of Spa 810 Franchise LLC, gift card and sales tax liabilities. Other liabilities consist of \$385,000 estimated settlement payments. See Note (9) for further disclosure on the settlement payments.

At December 31, 2016, accrued liabilities consisted of gift card and sales tax liabilities. Other liabilities consist of marketing funds held for franchising advertising, \$21,556 and estimated settlement payments, \$462,500. See Note (9) for further disclosure on the settlement payments.

(5) Deferred Revenue

As of December 31, 2014, the Company had deferred franchise revenue of \$622,500. This amount consists of several regional developer agreements for which the Company had not provided initial services. The payments had been fully received as of the end of that year. Had the Company fulfilled its obligations related to the agreement, the Company would have recognized, net of broker expenses, an additional \$567,500 of income. Had that income been included, the Company would have recognized net income of \$413,854.

As of December 31, 2015, the Company had deferred franchise revenue of \$1,405,000. This amount consists of several regional developer agreements and franchise sales for which the Company had not provided initial services and locations were not operating. The payments had been fully received as of the end of that year. Had the Company fulfilled its obligations relative to the agreements, the Company would have recognized, net of broker expenses, an additional \$1,043,629 of income. Had that income been included, the Company would have recognized a net loss of \$29,602, as restated.

As of December 31, 2016, the Company had deferred franchise revenue of \$2,008,000. This amount consists of several regional developer agreements and franchise sales for which the Company had not provided initial services and locations were not operating. The payments had been fully received as of the end of that year. Had the Company fulfilled its obligations relative to the agreements, the Company would have recognized, net of broker expenses, an additional \$1,772,129 of income. Had that income been included, the Company would have recognized net income of \$494,147. The company expects to recognize revenue related to these sales in 2017.

SPA 810 LLC

Notes to the financial statements
December 31, 2016, 2015, and 2014 (restated)

(6) Related party payable

Related party payable consists of short term loans made to the Company by members and other related parties. Loans are short term and bear no interest. Amounts outstanding at December 31, 2016, 2015, and 2014 were \$95,000, \$15,000, and \$9,854, respectively. Accrued interest of \$130,000 has been recorded for previous loans.

(7) Notes payable

On November 4, 2014, the Company entered into a note payable for \$100,000. The note began accruing interest on January 1, 2016, at a rate of 8.5% with a due date of February 2017. Accrued interest on the note at December 31, 2016, was \$10,018. The loan balance outstanding was \$100,000 on December 31, 2016, 2015, and 2014. The financial statements have been restated for the effects of this loan. This loan was renegotiated in 2017. See Note (14) for additional information.

On August 1, 2016, the Company entered into a note payable for various costs paid by the Lender in the amount of \$24,753. In 2017, this loan was increased to a total of \$50,000. See Note (14) for more information. The note bears 10% interest with monthly payments of \$5,000 beginning March 1, 2017, for 10 consecutive months with the full principal and accrued interest balance due on May 1, 2017.

(8) Loans payable

On March 8, 2015, the Company entered into a note payable for \$28,332 for the purchase of a vehicle. The note bears interest at 7.19% and is payable in 72 monthly installments of \$485. At December 31, 2016, and 2015, the remaining balance on the loan was \$22,633 and \$26,073, respectively.

On September 3, 2015, the Company entered into a note payable for \$62,481 for the purchase of a vehicle. The note bears interest at 8.89% and is payable in 72 monthly installments of \$839. At December 31, 2016, and 2015, the remaining balance on the loan was \$53,872 and \$62,192, respectively.

The future maturities of the notes payable are as follows as of December 31:

	Principal
2017	13,658
2018	14,842
2019	16,128
2020	17,528
2021	14,349
Thereafter	

(9) Commitments and Contingencies

Litigation

The Company may be subject to various claims, legal actions, and complaints arising in the ordinary course of business. In accounting for legal matters and other contingencies, the Company follows the guidance in ASC Topic 450, Contingencies, under which loss contingencies are accounted for based upon the likelihood of incurrence of a liability. If a loss contingency is "probable" and the amount of loss can

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015 and 2014 (restated)

be reasonably estimated, it is accrued. If a loss contingency is "probable" but the amount of loss cannot be reasonably estimated, disclosure is made. If a loss contingency is "reasonably possible," disclosure is made including the potential range of loss, if determinable. Loss contingencies that are "remote" are neither accounted for nor disclosed.

In February 2014, the Company entered into a settlement agreement with three parties (the "Parties") related to a fiscal year 2013 transaction in which the Parties purchased several regional developer licenses and a single unit franchise license collectively for \$37,455. Without admitting liability and in order to avoid excessive litigation costs, the Company agreed to settle the case by refunding the \$37,455 in three separate installments over February and March of 2014, which installments were made and the case settled. As of December 31, 2013, the payments received by the Company were classified as other liabilities. As of December 31, 2014, that liability had been paid.

On October 1, 2014, SPA 810 LLC, John Dunatov, and Samantha Theaumont filed a Complaint in the Superior Court of Maricopa County, Arizona. On December 3, 2014, a First Amended Complaint was filed alleging defamation per se, defamation, and intentional interference with business expectancies against all defendants relating to posts made on the website RipOffReport.com regarding the plaintiffs. The plaintiffs are seeking unspecified damages exceeding \$555,000 and punitive damages in the amount of \$500,000 and an order that search engines de-index the posts. On December 29, 2014, Margie Canthers filed a Counterclaim alleging that SPA 810 failed to pay \$10,000 in wages and \$10,000 in bonuses, business expenses, and severance benefits. Ms. Canthers alleges breach of contract, unjust enrichment, and violation of the Arizona Wage Statute and seeks treble damages (\$60,000), interest, and attorney fees. Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report.

In March 2016, the Company entered into a settlement agreement related to fiscal year 2013 transactions in which the party purchased a regional developer agreement. Pursuant to terms of a second amended agreement dated October 21, 2015, the Company agreed to purchase back from the rights under the regional developer agreement for \$135,000. The amount has been recorded as other liabilities and loss on settlement for fiscal year 2015. As of December 31, 2016, that liability had been paid.

Angela Henry, Jerome Malone, Secured Legacy Franchise Development Inc. and Sagemont Developers Inc. v. John Dunatov, Timothy Reilly, Kanna Reilly, and Spa 810 LLC

The Company is a defendant in the Lawsuit, which was filed in Texas state court on June 15, 2015. The plaintiffs sought rescission of Regional Developer Agreements entered into with the Company, and a return of the fees paid thereunder in the total amount of \$450,000 and attorneys' fees. The Company removed the Lawsuit to federal court, the U.S. District Court for the Southern District of Texas, Houston Division, on July 22, 2015. As required by the Regional Developer Agreements at issue in the Lawsuit, and pursuant to the Motion to Compel, the parties agreed to conduct mediation pursuant to an Agreed Order (Regarding Mediation and Arbitration) that was entered by U.S. District Court on January 4, 2016. The Lawsuit was abated, pending the mediation and (if unsuccessful) an arbitration.

The parties attended mediation on March 15, 2016. At the mediation, the parties successfully negotiated and agreed to terms of a settlement. A Settlement Agreement was executed on April 20, 2016, whereby judgement was issued in June 2017, for \$462,500. As of December 31, 2015, the amount of \$250,000 was recorded in other liabilities, and the Company recognized the settlement loss during the year ended

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015, and 2014 (restated)

December 31, 2015 For the year ending December 31, 2016 a settlement loss of \$212,500 was recognized. The total estimated liability at December 31, 2016 was \$462,500.

H Melton Ventures matter

Two affiliated companies, H Melton Ventures LLC and H Melton Ventures RD, LLC (collectively, "H Melton Ventures") were owners and operators of two units in the Dallas/Fort Worth area, as well as regional developers in that region. On September 6, 2016, H Melton Ventures' attorneys sent a demand for mediation or arbitration alleging that they were fraudulently induced to sign their agreements, and the Spa810 had breached its contractual obligations. Spa810 responded with vigorous denials and was prepared to litigate the matter fully following mediation; however, on the eve of mediation, H Melton Ventures' principals were placed into receivership, and the mediation was cancelled. H Melton Ventures' principals and H Melton Ventures have since attempted to resuscitate their claims, but have not actively demanded mediation or arbitration at this time. Mediation or arbitration will be necessary in the future as H Melton Ventures and Spa810 are entitled to distributions on a balloon payment from the purchaser of one of H Melton Ventures' franchises and have disputed how those proceeds should be disbursed. The sales agreement calls for that dispute to be arbitrated. No liability has been accrued in relation to this matter.

Business Alliance Inc. v. Spa810 LLC

The Company executed a Referral Agreement with Business Alliance Inc. dated May 14, 2015, whereby Business Alliance Inc. agreed to generate and provide individual and business prospect referrals for the purchase of SPA 810 franchise opportunities. The contract required the Company to pay certain sums within seventy-two hours after receiving of funds for the execution of a Franchise Sale Agreement, Area/Master Development Agreement or other similar agreement. In June 2016, Business Alliance Inc. filed suit alleging breach of contract for payments not made in accordance with the agreement. A judgment was entered against Spa810 in the amount of \$71,507.89. This amount is accrued as accounts payable for December 31, 2016. Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report.

(10) Joint Venture

In December 2013, the Company sold a regional developer license for \$250,000 for a Dallas, Texas regional territory. As part of the agreement, the Company agreed to form a joint venture partnership with the buyer for the purposes of opening a SPA 810 franchise. Pursuant to the agreement, the Company contributed approximately \$150,000 in the form of equipment for a 50% interest in the joint venture. The Company also committed to manage the build-out of the location. The joint venture agreement provided the buyer an option to purchase the Company's interests in the joint venture entity once the joint venture was covering its costs. The Company sold its interest in the joint venture on November 12, 2015, for \$80,000.

In August 2014, the Company sold 100,000 units in the Company for \$100,000 to Florida Spa Services, LLC. Florida Spa Services, LLC previously purchased a regional developer license in March 2014.

SPA 810 LLC

Notes to the financial statements December 31, 2016, 2015, and 2014 (restated)

(11) Transfer of Membership Interests

On June 30, 2014, PGCI, sole member of the Company at the time, entered into a promissory note agreement with an investor for proceeds of \$150,000. The note bore interest of 6%. The note also included a conversion option that provided the investor the option to convert the note into the membership interests in the Company equivalent to 15% of the total post conversion outstanding units of the Company. As inducement to enter into the promissory note agreement, the Company also granted the investor a regional developer agreement for the Orlando FL region. The investor has exercised its option to convert the note to membership interests in the Company and purchased an additional 3.5% for \$35,000.

(12) Restatement

The Company has restated its previously issued financial statements for 2014 and 2015 primarily to reflect the correction of errors related to a loan payable that was incurred during fiscal year 2014, but not recorded, and expenses incurred in 2015 but not reported. GAAP requires that expenses be reported in the period incurred and that the related liability be reported.

	2015	2014
Net loss		
As previously reported	(846,230)	(153,646)
As restated	(1,073,231)	(153,646)

The Company's restated financial statements reflect these items in the periods in which they actually arose. The effect of the correction of these errors on results of operation for the above mentioned financial statements as follows for the 2014 and 2015 years:

	2015	2014
Total members' deficit		
As previously reported	(1,536,480)	(458,531)
As restated	(1,863,481)	(558,531)
Notes payable		
As previously reported		
As restated	100,000	100,000
Accounts payable		
As previously reported	(152,629)	(67,403)
As restated	(379,629)	(67,403)

(13) Going Concern Basis of Accounting

The Company's financial statements have been prepared on a going concern basis. As of December 31, 2016, the Balance Sheet reflected an excess of current liabilities over current assets of \$3,340,135.

SPA 810 LLC

Notes to the financial statements
December 31 2016 2015, and 2014 (restated)

The working capital deficit was primarily caused by accounts payable of \$956,054, other liabilities of \$484,056, and deferred revenue of \$2,008,000. In the same period, the Company had operating cash inflows of \$53,155.

To address the future additional funding requirements of the company since December 31, 2016, the members have undertaken the following initiatives: restructured loans payable (see Note 14) and actively pursued franchise sales.

The members are satisfied that the Company is able to meet its working capital liabilities through these initiatives and thus no adjustments have been made relating to recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

(14) Subsequent Events

In January 2017, the Company renegotiated a note payable to increase the total balance to \$50,000. The note bears 10% interest with monthly payments of \$5,000 beginning March 1, 2017 for 10 consecutive months with the full principal and accrued interest balance due on May 1, 2017.

In June 2017, related party loans payable, accrued interest, and other liabilities in the amount of \$200,200 were exchanged for the transfer of ownership for the Region of Jacksonville and related party loans payable in the amount of \$65,000 were exchanged for the transfer of ownership of the Region of LA New Orleans.

In June 2017, a Default Judgment was filed for the case of *Angela Henry Jerome Malone Secured Legacy Franchise Development Inc. and Sagemont Developers Inc. v. John Dunaton, Timothy Reilly, Kanna Reilly, and Spa 810 LLC*. The amount of \$462,500 has been accrued as of December 31, 2016 relating to this judgment. See Note (9) for additional information.

In June 2017, a defaulted HMV spa filed suit alleging breach of the lease by HMV and MR Melton. In the case of *CH Retail Fund II/Dallas Greenville S&S LP v. Henry James Melton and Spa810 LLC*, Spa810 is named as guarantor of the lease. Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report.

Judgment was entered against Spa810 LLC on June 8, 2017 in the amount of \$26,100 for the case of *Bright Oak Studio LLC v. Spa810 LLC*. Bright Oak provided website and graphic design services for the Company in 2016 and alleged nonpayment. This amount has been accrued as accounts payable in the year ending December 31, 2016. Auditor is unable to obtain further details on this matter from the assigned counsel and has identified this as a scope limitation in the auditor's report.

In August 2017, loans payable in the amount of \$100,000 were exchanged for the transfer of partial ownership interest in Brioni Enterprises LLC, a franchise of SPA 810, LLC.

Management has reviewed and evaluated subsequent events through the date on which the financial statements were issued.

EXHIBIT "G"
TO DISCLOSURE DOCUMENT
FRANCHISEE DISCLOSURE QUESTIONNAIRE

[See Attached]

FRANCHISEE DISCLOSURE QUESTIONNAIRE

As you know Spa 810 L L C ('we ' or "us), and you are preparing to enter into a Franchise Agreement for the operation of a SPA 810 franchise. The purpose of this Questionnaire is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, to be certain that you have been properly represented in this transaction, and to be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise. **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Franchise Agreement and pay your franchise fee.** Please review each of the following questions carefully and provide honest responses to each question. If you answer "No" to any of the questions below, please explain your answer on the back of this sheet.

- | | | | |
|-------|------|----|---|
| Yes__ | No__ | 1 | Have you received and personally reviewed the Franchise Agreement and each attachment or schedule attached to it? |
| Yes__ | No__ | 2 | Have you received and personally reviewed the Franchise Disclosure Document we provided? |
| Yes__ | No__ | 3 | Did you sign a receipt for the Franchise Disclosure Document indicating the date you received it? |
| Yes__ | No__ | 4 | Do you understand all the information contained in the Franchise Disclosure Document and Franchise Agreement? |
| Yes__ | No__ | 5 | Did you receive the Franchise Disclosure Document at least 14 calendar days before signing any agreement relating to the franchise (other than an NDA) or paying any money? |
| Yes__ | No__ | 6 | Did you receive a complete execution copy of the Franchise Agreement at least seven (7) calendar days before you signed it? |
| Yes__ | No__ | 7 | Have you reviewed the Franchise Disclosure Document and Franchise Agreement with a lawyer, accountant or other professional advisor? |
| Yes__ | No__ | 8 | Have you discussed the benefits and risks of developing and operating a SPA 810 franchise with an existing SPA 810 franchisee? |
| Yes__ | No__ | 9 | Do you understand the risks of developing and operating a SPA 810 franchise? |
| Yes__ | No__ | 10 | Do you understand the success or failure of your franchise will depend in large part upon your skills, abilities and efforts and those of the persons you employ as well as many factors beyond your control such as competition, interest rates, the economy, inflation, labor and supply costs and other relevant factors? |
| Yes__ | No__ | 11 | Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be arbitrated in Arizona, if not resolved informally or by mediation? |
| Yes__ | No__ | 12 | Do you understand that you must satisfactorily complete the initial training course before we will allow your franchised business to open or consent to a transfer? |
| Yes__ | No__ | 13 | Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a SPA 810 franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 14 | Do you agree that no employee or other person speaking on our behalf made any statement or promise or agreement other than those matters addressed in your Franchise Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to or different from the information contained in the Franchise Disclosure Document? |
| Yes__ | No__ | 15 | Do you agree that no employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success |

the amount of money you may earn or the total amount of revenue a SPA 810 franchise will generate that is not contained in the Franchise Disclosure Document or that is contrary to or different from, the information contained in the Franchise Disclosure Document?

Yes__ No__ 16 Do you understand that the Franchise Agreement and attachments to the Franchise Agreement contain the entire agreement between us and you concerning the franchise for the SPA 810 business meaning any prior oral or written statements not set out in the Franchise Agreement or the attachments to the Franchise Agreement will not be binding?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS QUESTIONNAIRE YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____

Dated _____

EXPLANATION OF ANY NEGATIVE RESPONSES [REFER TO QUESTION NUMBER]

EXHIBIT "H"
TO DISCLOSURE DOCUMENT

GENERAL RELEASE

[See Attached]

WAIVER AND RELEASE OF CLAIMS

This Waiver and Release of Claims (the "Release") is made as of _____, 20__ by _____, a(n) _____ ("Franchisee"), and each individual holding an ownership interest in Franchisee (collectively with Franchisee, "Releasor") in favor of Spa 810 L L C, an Arizona limited liability company ("Franchisor," and together with Releasor, the "Parties")

WHEREAS, Franchisor and Franchisee have entered into a Franchise Agreement (the "Agreement") pursuant to which Franchisee was granted the right to own and operate a SPA 810 business,

WHEREAS, Franchisee has notified Franchisor of its desire to transfer the Agreement and all rights related thereto, or an ownership interest in Franchisee, to a transferee, [enter into a successor franchise agreement] and Franchisor has consented to such transfer [agreed to enter into a successor franchise agreement], and

WHEREAS, as a condition to Franchisor's consent to the transfer [Franchisee's ability to enter into a successor franchise agreement], Releasor has agreed to execute this Release upon the terms and conditions stated below

NOW, THEREFORE, in consideration of Franchisor's consent to the transfer [Franchisor entering into a successor franchise agreement], and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, and intending to be legally bound, Releasor hereby agrees as follows

1 Representations and Warranties Releasor represents and warrants that it is duly authorized to enter into this Release and to perform the terms and obligations herein contained, and has not assigned, transferred or conveyed, either voluntarily or by operation of law, any of its rights or claims against Franchisor or any of the rights, claims or obligations being terminated and released hereunder [_____] represents and warrants that he/she is duly authorized to enter into and execute this Release on behalf of Franchisee. Releasor further represents and warrants that all individuals that currently hold a direct or indirect ownership interest in Franchisee are signatories to this Release

2 Release Releasor and its subsidiaries, affiliates, parents, divisions, successors and assigns and all persons or firms claiming by, through, under, or on behalf of any or all of them, hereby release, acquit and forever discharge Franchisor, any and all of its affiliates, parents, subsidiaries or related companies, divisions and partnerships, and its and their past and present officers, directors, agents, partners, shareholders, employees, representatives, successors and assigns, and attorneys, and the spouses of such individuals (collectively, the "Released Parties"), from any and all claims, liabilities, damages, expenses, actions or causes of action which Releasor may now have or has ever had, whether known or unknown, past or present, absolute or contingent, suspected or unsuspected, of any nature whatsoever, including without limiting the generality of the foregoing, all claims, liabilities, damages, expenses, actions or causes of action directly or indirectly arising out of or relating to the execution and performance of the Agreement and the offer and sale of the franchise related thereto

3 Nondisparagement Releasor expressly covenants and agrees not to make any false representation of facts, or to defame, disparage, discredit or deprecate any of the Released Parties or otherwise communicate with any person or entity in a manner intending to damage any of the Released Parties, their business or their reputation

4 Miscellaneous

a Releasor agrees that it has read and fully understands this Release and that the opportunity has been afforded to Releasor to discuss the terms and contents of said Release with legal counsel and/or that such a discussion with legal counsel has occurred

b This Release shall be construed and governed by the laws of the State of Arizona

c Each individual and entity that comprises Releasor shall be jointly and severally liable for the obligations of Releasor

d In the event that it shall be necessary for any Party to institute legal action to enforce or for the breach of any of the terms and conditions or provisions of this Release, the prevailing Party in such action shall be entitled to recover all of its reasonable costs and attorneys' fees

e All of the provisions of this Release shall be binding upon and inure to the benefit of the Parties and their current and future respective directors, officers, partners, attorneys, agents, employees, shareholders and the spouses of such individuals, successors, affiliates, and assigns. No other party shall be a third-party beneficiary to this Release

f This Release constitutes the entire agreement and, as such, supersedes all prior oral and written agreements or understandings between and among the Parties regarding the subject matter hereof. This Release may not be modified except in a writing signed by all of the Parties. This Release may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document

g If one or more of the provisions of this Release shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect or impair any other provision of this Release, but this Release shall be construed as if such invalid, illegal or unenforceable provision had not been contained herein

h The Parties agree to do such further acts and things and to execute and deliver such additional agreements and instruments as any Party may reasonably require to consummate, evidence, or confirm the Release contained herein in the matter contemplated hereby

[Signature Page Follows]

IN WITNESS WHEREOF Releasor has executed this Release as of the date first written above

FRANCHISEE

_____, a

By _____
Name _____
Its _____

FRANCHISEE'S OWNERS

Date _____ Signature _____

Typed or Printed Name

STATE OF _____)
County of _____) ss

The foregoing instrument was acknowledged before me this ____ day of _____, by

Notary Public

My commission expires

Date _____

Signature

Typed or Printed Name

STATE OF _____)

) ss

County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by

Notary Public

My commission expires

Date _____

Signature

Typed or Printed Name

STATE OF _____)

) ss

County of _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by

Notary Public

My commission expires

EXHIBIT "I"
TO DISCLOSURE DOCUMENT

AREA REPRESENTATIVES

Cole Wallis, Jason Bennicoff and Chastity Bennicoff – Arkansas and Minnesota

Cole Wallis became an area representative in February 2015. From February 2004 to the present, Mr. Wallis has been an Account Executive for SPS Commerce in Minneapolis, Minnesota.

No litigation or bankruptcy information is required to be disclosed with respect to Cole Wallis.

Jason Bennicoff became an area representative in February 2015. From November 2016 to the present, Mr. Bennicoff has been Sr. Director of Marketing for PetSmart in Phoenix, Arizona. From February 2016 to June 2016, Mr. Bennicoff was VP of Innovation for Rockfish Interactive in Rogers, Arkansas. From February 2010 to December 2016, Mr. Bennicoff was Director of Marketing for Walmart Stores, Inc. in Bentonville, Arkansas.

Chastity Bennicoff became an area representative in February 2015. From August 2013 to February 2015, Mrs. Bennicoff was unemployed.

In Re Jason Bennicoff & Chastity Bennicoff (Case No. 5:16-bk-72926)

On December 15, 2016, our area representatives Jason Bennicoff and Chastity Bennicoff filed for Chapter 7 bankruptcy in the United States Bankruptcy Court for the Western District of Kansas. The debtors' did not have a business address at the time. The events leading up to the bankruptcy included (1) being laid off from a director of marketing position at Walmart in fall of 2016, (2) the developer of the Fayetteville spa810 unit selling the College Marketplace/Whole Foods retail shopping center to another investor, which led to a lack of coordination in generating awareness and driving traffic to the development, and (3) this extended lack of foot traffic damaged several businesses in the center, which ultimately led to an inability to meet our financial obligations. The court discharged the debts on July 5, 2017.

Marc and Lori Olson - Arizona

Marc Olson became an area representative in May 2013. From April 2017 to October 2017, Mr. Olson was a Project Manager for Spa 810. From January 2015 to December 2016, Mr. Olson was a Project Manager for CNS Communications in Scottsdale, Arizona. From May 2013 to October 2015, Mr. Olson was a franchisee operating a Spa 810 franchise in Scottsdale, Arizona.

No litigation or bankruptcy information is required to be disclosed with respect to Marc Olson.

Lori Olson became an area representative in May 2013. From November 2015 to February 2016, she was the Spa Manager for a Spa 810 franchise in Phoenix, Arizona. From May 2013 to October 2015, Mr. Olson was a franchisee operating a Spa 810 franchise in Scottsdale, Arizona.

No litigation or bankruptcy information is required to be disclosed with respect to Lori Olson.

John Kleinwachter – California (LA County)

John Kleinwachter became an area representative in August 2013. From January 2012 to the present, Mr. Kleinwachter has been a Ranch Manager for La Paloma LLC in Goleta, California.

No litigation or bankruptcy information is required to be disclosed with respect to John Kleinwachter.

Kristine Hirschfield – Colorado (Denver)

Kristine Hirschfield became an area representative in March 2016. From November 2006 to the present, Dr.

Hirschfield has been a Physician at LA Laser Center in Los Angeles, California

No litigation or bankruptcy information is required to be disclosed with respect to Kristine Hirschfield

Craig Van Sickle and Sonia Van Sickle – Florida (Miami), Puerto Rico & Utah

Craig Van Sickle became an area representative in March 2014 From April 2013 to August 2018, he was Owner and Manager of Florida Spa Services LLC in Ft Lauderdale, Florida From May 2013 to December 2017, he was Owner of Best Cut LLC in Coral Springs, Florida

No litigation or bankruptcy information is required to be disclosed with respect to Craig Van Sickle

Sonya Van Sickle became an area representative in March 2014 From January 2012 to December 2013, Mrs Van Sickle was a Retail Head for Novartis Pharma in Miami, Florida

No litigation or bankruptcy information is required to be disclosed with respect to Sonya Van Sickle

Fabio Huggonet – Florida (Orlando)

Fabio Huggonet became an area representative in April 2015 From January 2013 to the present, he has been Manager of Tangavanda LLC in Orlando, Florida

No litigation or bankruptcy information is required to be disclosed with respect to Fabio Huggonet

Amy Perrault - Georgia

Amy Perrault became an area representative in April 2016 From June 2016 to the present, Ms Perrault has been an HR Consultant for AP Consulting in Cambridge, Massachusetts From May 2008 to June 2016, Ms Perrault was the VP of HR for Beech-Nut Nutrition in Amsterdam, New York

No litigation or bankruptcy information is required to be disclosed with respect to Amy Perrault

Michael Antonnucci – Illinois and Florida (Jacksonville and Tampa)

Michael Antonnucci became an area representative in August 2012

No litigation or bankruptcy information is required to be disclosed with respect to Michael Antonnucci

Brian Knoderer – Indiana and Ohio (Cleveland)

Brian Knoderer became an area representative in December 2013 From July 1993 to the present, Mr Knoderer has been President of Town Marketing in Fishers, Indiana

No litigation or bankruptcy information is required to be disclosed with respect to Brian Knoderer

Steve Walker – Iowa and Nebraska

Steve Walker became an area representative in June 2015 From July 2018 to the present, Mr Walker has been VP of Real Estate for Buchanan Energy in Omaha, Nebraska From June 2015 to the present, Mr Walker has been President of Heartland Franchises, Inc From June 2005 to June 2015, Mr Walker was GM of Real Estate for Shell Oil Company in Houston, Texas

No litigation or bankruptcy information is required to be disclosed with respect to Steve Walker

Rahul Reddy – Kentucky, Ohio (Cincinnati and Columbus) and Tennessee (Nashville)

Rahul Reddy became an area representative for Kentucky and Ohio in November 2016 and in November 2017 for Tennessee From July 2013 to the present, Dr Reddy was the Hospitality Medical Director for Envision in Frankfort, Kentucky

No litigation or bankruptcy information is required to be disclosed with respect to Rahul Reddy

David Bourne – Nevada

David Bourne became an area representative in May 2017. From July 2015 to the present, Mr. Bourne has been retired in Sacramento, California. From April 1990 to June 2015, Mr. Bourne was a Solution Architect for HP in Sacramento, California.

No litigation or bankruptcy information is required to be disclosed with respect to David Bourne

Jeff O'Bryan – Oklahoma (Tulsa)

Jeff O'Bryan became an area representative in November 2016. From May 1995 to October 2016, Mr. O'Bryan was a Project Analysis Manager for Jack Henry and Associates in Monett, Missouri.

No litigation or bankruptcy information is required to be disclosed with respect to Jeff O'Bryan

Mark Tatarsky – Texas (Dallas Ft. Worth)

Mark Tatarsky became an area representative in March 2017. From August 2016 to the present, Mr. Tatarsky was a Marketing Advisor/Consultant in Dallas, Texas. From June 2015 to April 2016, Mr. Tatarsky was VP of Marketing for Pactera Technologies in Dallas, Texas. From October 2007 to June 2015, Mr. Tatarsky was Director of Marketing for Accenture in Dallas, Texas.

No litigation or bankruptcy information is required to be disclosed with respect to Mark Tatarsky

Nishant Kalra – Texas (S. Houston and N. Houston)

Nishant Kalra became an area representative in June 2015. From October 2014 to the present, Dr. Kalra has been a Physician for MHPP in Grand Rapids, Michigan. From July 2012 to June 2014, he was a Fellow-in-Training at the University of Kentucky in Lexington, Kentucky.

No litigation or bankruptcy information is required to be disclosed with respect to Nishant Kalra

EXHIBIT "J"
TO DISCLOSURE DOCUMENT

STATE ADDENDUM

[See Attached]

California State Addendum to Franchise Agreement and Franchise Disclosure Document

- 1 The California Franchise Investment Law requires a copy of all proposed agreements relating to the sale of the franchise to be delivered together with the disclosure document
- 2 Neither the franchisor nor any person or franchise broker in Item 2 of the FDD is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U S C A 78a et seq , suspending or expelling such persons from membership in such association or exchange
- 3 California Business and Professions Code 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise If the franchise agreement contains a provision that is inconsistent with the law, the law will control
- 4 The franchise agreement provides for termination upon bankruptcy This provision may not be enforceable under federal bankruptcy law (11 U S C A Sec 101 et seq)
- 5 The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise This provision may not be enforceable under California law
- 6 The franchise agreement contains a liquidated damages clause Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable
- 7 The franchise agreement requires binding arbitration The arbitration will occur at Maricopa County, Arizona with the costs being borne initially by the filing party
- 8 Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040 5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California
- 9 The franchise agreement requires application of the laws of the State of Arizona This provision may not be enforceable under California law
- 10 Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise
- 11 You must sign a general release if you renew or 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 and Professions Code §§20000 through 20043)
- 12 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 BUSINESS OVERSIGHT at [http //www dbo ca gov](http://www.dbo.ca.gov)

FRANCHISOR

Spa 810 L L C , an Arizona limited liability company

By _____
Name _____
Title _____

[Date]

FRANCHISEE

[Signature]

[Print Name]

[Date]

EXHIBIT "K"
TO DISCLOSURE DOCUMENT

RECEIPTS

[See Attached]

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language

Read this Disclosure Document and all agreements carefully. If Spa 810 L L C offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

If Spa 810 L L C does not deliver this Disclosure Document on time, or if it contains a false or misleading statement or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, DC 20580, and the appropriate state agency listed in EXHIBIT "A" to this Disclosure Document.

The franchise seller(s) involved with the sale of this franchise is/are

John Dunatov, 7950 E Redfield Road, Suite #280, Scottsdale, AZ 85260, (480) 307-9377

Dennis Harvey, 602 Tiffany Lane, Hendersonville, Tennessee 37075, (254) 760-2966

Issuance Date September 13, 2018

Spa 810 L L C's agent to receive service of process is listed in EXHIBIT "A" to this Disclosure Document.

I received a Franchise Disclosure Document for the State of California that included the following Exhibits:

EXHIBIT "A"	State Agencies and Administrators
EXHIBIT "B"	Agent for Service of Process
EXHIBIT "C"	Franchise Agreement
EXHIBIT "D"	Table of Contents of the confidential Brand Standards Manual
EXHIBIT "E"	List of Franchisees
EXHIBIT "F"	Financial Statements of Spa 810 L L C
EXHIBIT "G"	Franchisee Disclosure Questionnaire
EXHIBIT "H"	General Release
EXHIBIT "I"	Area Representatives
EXHIBIT "J"	State Addendum
EXHIBIT "K"	Receipts

Print Name

Date

(Signature) Prospective Franchise Owner

(This Receipt should be executed in duplicate. One Receipt must be signed and remains in the Franchise Disclosure Document as the prospective franchise owner's copy. The other Receipt must be signed and returned to Spa 810 L L C.)

RECEIPT

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Spa 810 L L C offers you a franchise, it must provide this Disclosure Document to you 14 days before you sign a binding agreement or make a payment with the franchisor or an affiliate in connection with the proposed franchise sale.

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