

## FRANCHISE DISCLOSURE DOCUMENT



SKOAH FRANCHISE, LLC  
a Delaware limited liability company  
106 East Liberty St. Suite 310  
Ann Arbor, MI 48109  
734-619-0919  
Info@skoahfacials.com  
[www.skoahfacials.com](http://www.skoahfacials.com)

You will operate an upscale SKOAH® facial shop and retail business that sells non-medical skin care services (currently including facials, cleansing, exfoliating, toning, hydration, delicate extractions, detoxifying, and cosmetic masques), and non-medical skin care products, cosmetics, and related ancillary products and services. (Facial Shop”).

The total investment necessary to begin operation of a single SKOAH® Facial Shop ranges from \$322,427 - \$537,260. This includes the \$93,000 - \$106,000, that must be paid to the franchisor or affiliate. The total investment necessary to purchase the right to open two Facial Shops and to begin operation of the first SKOAH® Facial Shop ranges from \$352,427 - \$567,260. The total investment necessary to purchase the right to open three Facial Shops and to begin operation of the first SKOAH® Facial shop ranges from \$372,427 - \$587,260. If you are acquiring the right to open two or three locations under our development agreement, instead of paying us the \$49,500 initial franchise fee you will pay to us either \$79,500 for the development of two Facial shops or \$99,500 for the development of three Facial shops under the terms of our development agreement.

This disclosure document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar days before you sign a binding agreement with, or make any payments 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 John Cohen at 106 E. Liberty St, Ste. 301, Ann Arbor, MI 48104 or 734-619-0919.

The terms of your contract will govern your franchise relationship. Do not 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. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the FTC’s home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: March 18, 2022, as amended October 12, 2022

## How to Use This Franchise Disclosure Document

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

| QUESTION                                                                                 | WHERE TO FIND INFORMATION                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>How much can I earn?</b>                                                              | Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit G. |
| <b>How much will I need to invest?</b>                                                   | Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.                                                                  |
| <b>Does the franchisor have the financial ability to provide support to my business?</b> | Item 21 or Exhibit F includes financial statements. Review these statements carefully.                                                                                                                                                                    |
| <b>Is the franchise system stable, growing, or shrinking?</b>                            | Item 20 summarizes the recent history of the number of company-owned and franchised outlets.                                                                                                                                                              |
| <b>Will my business be the only Skoah facial shop in my area?</b>                        | Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.                                                                                                             |
| <b>Does the franchisor have a troubled legal history?</b>                                | Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.                                                                                                                      |
| <b>What's it like to be Skoah franchisee?</b>                                            | Item 20 or Exhibit G lists current and former franchisees. You can contact them to ask about their experiences.                                                                                                                                           |
| <b>What else should I know?</b>                                                          | These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.                                                   |

## **What You Need To Know About Franchising *Generally***

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

### **Some States Require Registration**

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit H.

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

## Special Risks to Consider About *This Franchise*

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.
2. **Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$403,292 - \$561,763. This amount exceeds the franchisor's stockholders' negative equity as of December 31, 2021, which is (\$193,228).
3. **Financial Condition.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
5. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments and advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.
6. **Inventory Control.** You must make minimum product purchases, even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.

Certain states may require other risks to be highlighted. Check the "State Specific Addenda" (if any) to see whether your state requires other risks to be highlighted.

## **MICHIGAN NOTICE**

The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you:

- (a) A prohibition against you joining an association of franchisees.
- (b) A requirement that you assent to a release, assignment, novation, waiver or estoppel which would deprive you of rights and protections provided under the Michigan Franchise Investment Law. This does not preclude you, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits the franchisor to terminate your franchise prior to the expiration of its term except for good cause. Good cause includes your failure to comply with any lawful provision of the Franchise Agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits the franchisor to refuse to renew your franchise without fairly compensating you by repurchase or other means for the fair market value at the time of expiration, of your inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This provision applies only if:
  - (i) The term of the franchise is less than five years; and
  - (ii) You are prohibited by the Franchise Agreement or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or if you do not receive at least six months advance notice of the franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew the franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This provision does not require a renewal provision in the Franchise Agreement or other agreement.
- (f) A provision requiring that arbitration or litigation be conducted outside of Michigan. This does not preclude you from entering into an agreement, at the time of the arbitration, to conduct arbitration at a location outside of Michigan.
- (g) A provision that permits the franchisor to refuse to permit a transfer of ownership of the franchise, except for good cause. This provision does not prevent the franchisor from exercising a right of first refusal to purchase the franchise. Good cause includes, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then-current reasonably qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

The fact that there is a notice of this offering on file with the Attorney General does not constitute approval, recommendation, or endorsement by the Attorney General.

Any questions concerning this notice should be directed to the Michigan Department of Attorney General, Consumer Protection Division, Franchise Unit, 525 W. Ottawa Street, G. Mennen Williams Building, 1<sup>st</sup> Floor, Lansing, Michigan 48913, (517) 373-7117.

**SKOAH FRANCHISE, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT**

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Exhibits

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## **ITEM 1**

### **THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

To simplify the language in this disclosure document, “we”, “us” or “our” means Skoah Franchise, LLC, the franchisor. “You” means the business entity, person or persons who sign the Franchise Agreement, the franchisee. If the franchisee is a corporation, limited liability company, or other entity, the term “you” does not include the entity’s principals unless otherwise stated.

#### The Franchisor, and Any Parents, Predecessors and Affiliates

Skoah Franchise, LLC, is a limited liability company formed on October 17, 2019 under the laws of the state of Delaware. We have no parents, predecessors or affiliates required to be disclosed except as follows: Our parent FW-SKO Holdings, LLC a wholly own subsidiary of Franworth, LLC both of are Michigan limited liability companies located at 106 E. Liberty St., Suite 310, Ann Arbor, MI 48104. Our affiliate Liberty Distribution, LLC, a Michigan limited liability company formed on September 22, 2017 (“Liberty”), the exclusive distributor of “SKOAH” branded products located at 4370 Varsity Dr., Suite G, Ann Arbor, MI 48108. You will be required to maintain a minimum level of inventory from Liberty. Neither Liberty nor our Parent have ever offered franchises in any line of business. We do not offer franchises in, or conduct other business, in any other lines of business. Our predecessor Skoah Franchising, Inc., a corporation formed under the laws of British Columbia, Canada offered franchises from March 2016 to April 2019 and did not conduct business in any other line of business.

#### Business Name, Address, Agents for Service

We do business under the name of “SKOAH®”, and under our entity name. Our principal business address is 106 E. Liberty, Ste. 310, Ann Arbor, MI 48104.

Our agents for service of process, and their addresses are listed in Exhibit D.

#### Prior Experience

Our predecessor Skoah, Inc. started operating a system of Facial Shops offering SKOAH® skin care products and related services in November 2001 in Vancouver, British Columbia, Canada. Skoah, Inc. continues to operate businesses of the type being franchised at the locations described below, and has since 2001, including in the U.S. since 2013 through its wholly-owned subsidiary Skoah U.S.A. Inc. We do not have any locations of the type being offered pursuant to this disclosure.

#### The Franchise Offered

We offer a franchise to operate a SKOAH® Facial Shops that sell non-medical skin care services (currently including facials, cleansing, exfoliating, toning, hydration, delicate extractions, detoxifying, and cosmetic masques), and non-medical skin care products, cosmetics, and related ancillary products and services. SKOAH® Facial Shops offer a paid membership program under which members are entitled to receive services and products at reduced member rates. Franchisees receive the right to purchase products, supplies, advertising materials and merchandise from us, our affiliates, or our approved suppliers. Franchisees will operate a SKOAH® Facial Shop and retail business under a license to use our business system, know-how, and trademarks.

The market for our products and services is developed and competitive. You will have to compete with national and local businesses offering similar products and services. Your competition will include national skin and body care product facial shops like Kiehl’s, emerging franchised skin-care concepts

like Hey Day, as well as many national franchised brands, regional and local spas that offer facials and related skin care products.

### Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate multiple Facial Shop within a designated Site Selection Area under our current form of development agreement attached to this Disclosure Document as Exhibit C (the “Development Agreement”). In the Development Agreement, we outline a schedule that sets forth the periods of time by which you must open and begin operating each Facial Shop (the “Development Schedule”). Development Agreements are offered in markets which fall within the top 50 most populated metropolitan statistical areas (“MSA”) as established and defined by the U.S. Office of Management and Budget and measured by population according to the U.S. Census Bureau (referred to in this Disclosure Document as the “Top 50 MSAs”).

You will have the right to find and secure locations from which to operate your Facial Shop from within the Site Selection Area, but—similar to the Site Selection Area assigned in connection with a single-unit Franchise Agreement—you will not receive any territorial exclusivity within this area.

At our option, you will be required to sign a Franchise Agreement for your initial Facial Shop at the same time you sign your Development Agreement, but we also have the option of waiting until you have found an accepted premises for your initial Facial Shop before you are required to sign the corresponding Franchise Agreement. Regardless, you will need to sign our then-current form of franchise agreement for each Facial Shop in accordance with a development schedule.

Under the Development Agreement, you will pay to us a one-time development fee that will be calculated based on the number of Facial shops we grant you the right to open (the “Development Fee”). You will not be required to pay any other initial franchise fee at the time you execute the franchise agreements for each subsequent Facial shop to be developed pursuant to your Development Agreement.

Upon establishing each additional outlet under the Development Schedule an Area Developer will be required to sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this Franchise Disclosure Document.

### Special Industry Regulation

A number of states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Facial shop, including those which (1) establish licensing and certification requirements for businesses in general, (2) establish general standards, specifications and requirements for the construction, design and maintenance of the Facial shop location; (3) establish licensing and certification requirements for technicians (such as requirements that technicians be a certified health professional, licensed as either an esthetician, cosmetologist, or nurse), (4) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for facial shops; (5) set standards pertaining to employee health and safety; (6) set standards and requirements for fire safety and general emergency preparedness, and (7) regulate the proper use, storage and disposal of waste and other hazardous materials. We recommend you consult with legal counsel or other professional advisors to help you investigate and understand these laws before you purchase a franchise.

Some jurisdictions have special laws, licensing, and certification requirements related to estheticians and their employment, with which you may have to comply. In some states, you may be required to comply with laws and regulations relating to health clubs, cosmetologists, and esthetician licensing. There are state laws and regulations specific to providing facial services. There may also be local and

state agencies that regulate the provision of 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 facial services and requirements. Some of these laws and regulations may require special certification, licensing, and registration before you can begin providing facial services. You must ensure that only licensed estheticians perform any services for which a license or specialized training is required in your state. It is your responsibility to thoroughly investigate which regulations and/or licensing requirements your state imposes.

## **ITEM 2 BUSINESS EXPERIENCE**

### **Board Member: John Rotche**

Mr. Rotche has been a Board Member since September 2019. Mr. Rotche has served as Chief Executive Officer of Franworth in Ann Arbor, Michigan since 2015.

### **Board Member Dave Keil**

Mr. Keil has been a Board Member since February 28, 2021. He has also served as Franworth's President and Chief Operating Officer since July 2019. He serves in this capacity in Ann Arbor, Michigan. Previously, from March 2018 through July 2019 and also in Ann Arbor, Michigan, Mr. Keil served as The Lash Lounge Franchise's Chief Executive Officer. Previously, from January 2017 to February 2018, Mr. Keil served as Chief Executive Officer of Pure Barre, LLC in Denver, Colorado.

### **CFO: Dave Taccolini**

Mr. Taccolini has served as our CFO since February 2021. He serves in this capacity in Ann Arbor, Michigan. He has also served as CFO of our Affiliate Franworth, LLC since January 2019. Prior to this he served as CFO for Northern United Brewing Company from December 2015 to July 2018.

### **President: John Cohen**

Mr. Cohen has served as our President since September 2022. He serves in this capacity in Ann Arbor, Michigan. He has also served as Chief Operating Officer of our Affiliate Franworth, LLC from January 2022 to September 2022. Prior to this he served as Executive Vice President for The Lash Franchise Holdings, LLC from November 2018 to December 2021. Prior to this he served as the Vice President of Operations of Molly Maid, LLC from January 2013 until October 2018.

## **ITEM 3 LITIGATION**

No litigation or other dispute resolution is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

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

## **ITEM 5**

### **INITIAL FEES**

#### Initial Franchise Fee

When you purchase the right to develop a single SKOAH Facial shop, at the time you sign the Franchise Agreement, you will pay to us an Initial Franchise Fee of \$49,500. If you qualify for the VetFran program sponsored by the International Franchise Association (“IFA”), the Initial Franchise Fee you pay for a single Facial shop will be reduced by \$2,500. The Initial Franchise Fee is deemed fully earned on your execution of the Franchise Agreement and is not refundable under any circumstances. The Initial Franchise Fee is uniform for all franchisees purchasing a single franchise.

#### Development Agreement

The right to develop multiple Facial shops are offered in markets which are located within the Top 50 MSAs. If we grant you the right to develop multiple Facial shops, at the time you execute the Development Agreement, you will pay to us a one-time Development Fee. If you are acquiring the right to open two or three locations under our development agreement, instead of paying us the \$49,500 initial franchise fee you will pay to us a Development Fee of either \$79,500 for the development of two Facial shops or \$99,500 for the development of three Facial shops. If you qualify for the VetFran program sponsored by the IFA, your total Development Fee will be reduced by \$2,500.

You will be required to enter into our then-current form of Franchise Agreement for each Facial shop you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these Franchise Agreements. If you enter into a Development Agreement, you must execute our current form of Franchise Agreement for the first Facial shop we grant you the right to develop within your Site Selection Area concurrently with the Development Agreement (unless we agree otherwise in writing). For each subsequent facial shop you open, you will sign the then current Franchise Agreement, which may differ from the Franchise Agreement associated with your first facial shop.

Your Development Fee will be deemed fully earned upon payment and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

#### Initial Training Fees

Prior to opening, you will pay to us a \$7,500 initial training fee for our two-stage initial training program. The initial training fee is due in a lump sum prior to participating in initial training and is not refundable under any circumstances. The initial training fee is uniformly imposed and includes a 4-day Business Training currently hosted in Ann Arbor and on-site Facial Shop Training with a Shop Opener and Corporate Skin Care Trainer. On-site Facial Shop training is typically 4 days with both corporate representatives in person simultaneously for which a representative will assist you with the startup of your SKOAH® Facial Shop. Initial Training Fee is due only in connection with the opening of your first Facial shop. Currently, Initial Training for subsequent facial shops, or in relationship to the transfer of an existing facial shop to new ownership, will be offered at the rates provided in Item 6 and typically includes the fees associated with the return of a Facial shop Opener and Corporate Skin Care Trainer if requested or required by the franchisor. We charge you \$300 per day, per corporate employee, for any return on-site training exceeding the standard four days, plus travel, food, and accommodations and all other necessary expenses, subject to increase by us of up to \$1,000 per day, per corporate employee.

### Initial Product Inventory Package

Approximately 60 to 90 days prior to opening the Facial shop, you will purchase your initial inventory of our private label cosmetics and skin care products. The current purchase price of this inventory is approximately \$18,000 to \$25,000 plus applicable shipping costs, depending on the quantity and mix. You will pay Liberty an initial deposit of \$10,000 for your initial inventory upon the signing of the franchise agreement, with the balance due upon your signing your lease for your SKOAH® Facial Shop premises. The purchase price is subject to change given the introduction of products. You may elect to purchase additional product inventory with your initial package which would result in increased initial inventory costs. This payment is uniform for all franchisees and is considered fully earned upon payment; however, if for any reason the Facial shop does not open (other than in the event the parties mutually agree to extend the originally established Control Date), the vendor you purchased the inventory from will refund this fee to you subject to its receipt of the unopened, undamaged, complete inventory; less 15% restocking, and applicable shipping costs, otherwise, the fee is not refundable.

### Furniture, Fixtures and Equipment

Approximately four to six months prior to opening the Facial shop, you will purchase from Liberty certain furniture, fixtures and equipment. The purchase price for these items will range from \$18,000 to \$24,000, plus applicable shipping costs, depending on the number of stations your Facial shop will have. This payment is uniform for all franchisees and is considered fully earned upon payment; however, if for any reason the Facial shop does not open (other than in the event the parties mutually agree to extended the originally established Control Date), and if the furniture, fixtures, and equipment are in unused/uninstalled condition, then we will refund to you the purchase price of any returned goods that may be resold to other franchisees, less 15% restocking, and applicable shipping costs, after our receipt of all returned items.

## **ITEM 6 OTHER FEES**

### Franchise Agreement

| Type of Fee <sup>1</sup> | Amount                                                                                                                 | Due Date                                                         | Remarks                                                                                                                                                                                      |
|--------------------------|------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Royalty Fee              | 6% of Gross Revenue.<br>After your second year of operations, a minimum Royalty Fee of \$250 per week will be applied. | Monthly, currently the 8 <sup>th</sup> business day of the month | The first month may be either a full or partial calendar month, depending on what day the Facial Shop opens for business. See Note 1.<br><br>See Note 2 for the definition of Gross Revenue. |
| Marketing Fee            | 2% of Gross Revenue                                                                                                    | Monthly, currently the 9 <sup>th</sup> business day of the month | See Item 11. See Note 2 for the definition of “Gross Revenue.”                                                                                                                               |
| Local Advertising        | At least \$2,000 per month during first 12 full                                                                        | Monthly local                                                    | You must spend the required minimum expenditure amount                                                                                                                                       |

| Type of Fee <sup>1</sup>                                                                                                                                                         | Amount                                                                                                                                               | Due Date                                                           | Remarks                                                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                  | months of operation; Afterwards, at least \$1,500 per month                                                                                          | advertising requirement must be spent before the end of each month | per month in your local market to promote the Facial Shop. See Item 11.                                                                                                                                                                                                                                                                      |
| Cooperative Advertising                                                                                                                                                          | At least \$1,000 per month, when established                                                                                                         | At such times and in the manner as required by any cooperative     | If we require you to participate in an established cooperative advertising campaign for your market area, your \$1,000 minimum monthly cooperative contribution will satisfy your local advertising requirement once the Facial Shop is open at least 12 full months.                                                                        |
| Additional Training, including but not limited to advanced training, opening training, transfer/resale training, Ongoing Assistance, Continuing Education, and train the trainer | \$300 per day for each individual (which may be an attendee or trainer), plus reimbursement of our travel, lodging and dining costs (if applicable). | Before assistance                                                  | This fee applies to all training onsite or offsite. The \$300 per day, per attendee fee is payable to us before we provide the applicable training. We may, at our option, send our personnel to your Facial Shop to provide mandatory training if you have failed two consecutive quality inspections                                       |
| Continuing Education Requirements                                                                                                                                                | Reasonable costs                                                                                                                                     | Upon demand                                                        | See Note 3.                                                                                                                                                                                                                                                                                                                                  |
| Convention Enrollment Fee                                                                                                                                                        | Currently, \$600 per attendee                                                                                                                        | Before Convention                                                  | At least one representative is required to attend, no more than once per year, any designated convention or annual training meeting. For any annual convention you do not attend, you will be charged \$1,000 non-attendance penalty. You are responsible for all costs of attending convention, including travel, lodging, meals and wages. |

| Type of Fee <sup>1</sup>  | Amount                                                                                                     | Due Date                                             | Remarks                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------|------------------------------------------------------------------------------------------------------------|------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Technology Fee            | Currently, \$175 per month per Facial Shop                                                                 | Monthly, currently the 8th business day of the month | Technology Fees are for use of our online systems, intra-net, data sharing, business intelligence and more. We reserve the right to increase this fee. To be paid in the same manner and time frame as the Royalty Fee. See Item 11.                                                                                                                                                       |
| Supplier Approval Fee     | Cost of inspection                                                                                         | Upon demand                                          | You may recommend suppliers to us at any time; however, you must pay our reasonable costs and expenses if you request us to inspect and evaluate a proposed supplier.                                                                                                                                                                                                                      |
| Transfer Fee <sup>4</sup> | \$5,000, plus our related attorneys' fees                                                                  | Before transfer                                      | <p>We do not charge a fee if the transfer of the Facial Shop is from an individual to a business entity for convenience of operation, however, you must reimburse us for our related costs and expenditures.</p> <p>See Note 4 for other circumstances where we charge a reduced Transfer Fee.</p> <p>See Item 17 for more information about restrictions and conditions of transfers.</p> |
| Extended Term Fee         | \$1,000 per year added to remaining term assumed by transferee (not to exceed an initial term of 10 years) | When transferee signs their franchise agreement      | <p>Upon transfer, transferee must assume the remaining term on your franchise agreement and may, at their option, purchase additional years for the Extended Term Fee, not to exceed an initial term of 10 years.</p> <p>See Item 17 for more information regarding transfers.</p>                                                                                                         |
| Renewal Fee               | \$3,000                                                                                                    | When you sign the new franchise agreement            | See Item 17 for more information regarding renewal                                                                                                                                                                                                                                                                                                                                         |

| Type of Fee <sup>1</sup>                                               | Amount                                                                                                                                                                   | Due Date    | Remarks                                                                                                                                                                   |
|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit                                                                  | Amount disclosed in the audit, plus our costs to conduct the audit                                                                                                       | Upon demand | If an audit discloses an underpayment of the Royalty Fee due to us of 2% more, you must pay us 1.5 times the amount in error plus our costs and expenses for the audit.   |
| Late Charges                                                           | 18% per year or the highest amount allowed by law, whichever is less, calculated weekly.                                                                                 | Upon demand | Payable only if any sums due us are not paid promptly when due.                                                                                                           |
| Point of Sale (POS) and Text Messaging Systems                         | Currently, \$355 per month                                                                                                                                               | As incurred | This fee is imposed by us but payable to a third party and is subject to change. This subscription includes technical support provided by the POS supplier.               |
| QuickBooks Online                                                      | Currently, \$28 per month                                                                                                                                                | As incurred | This fee is imposed by us but payable to third party and subject to change.                                                                                               |
| VOIP Phone system, Email, Microsoft Office 365, and Antivirus Software | Currently, \$17 per month per telephone and \$4 per month per telephone line, \$12.50 per month for Email and Office 365, \$4 per month for antivirus software           | As incurred | You must use our designated supplier for your voice over internet protocol phone system. This fee is imposed by us but payable to a third party and is subject to change. |
| SoundTrack Your Brand                                                  | \$25 per month                                                                                                                                                           | As incurred | This fee is payable to a third party provider and subject to change. This fee covers monthly music licensing.                                                             |
| Charge for Nonpayment Due to “Insufficient Funds”                      | \$50 (which we can increase annually by an amount not to exceed 10% of our previously published fee) plus reimbursement of our costs and expenses from your non-payment. | Upon demand | Payable only if any check, draft, electronic or other payment is unpaid because of insufficient funds or otherwise.                                                       |
| Administrative Default Fee                                             | \$100 per occurrence, \$100 per week until cured                                                                                                                         | Upon demand | We may charge this fee if you breach any of the terms, conditions, or policies outlined in the Franchise Agreement or                                                     |

| Type of Fee <sup>1</sup>              | Amount                                                              | Due Date            | Remarks                                                                                                                                                                                                                                                                   |
|---------------------------------------|---------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                       |                                                                     |                     | the operations manual, otherwise fail to comply with our standards and specifications, or use unauthorized products, equipment, or vendors. We will address such matters through compliance reports prepared for non-compliant franchisees with a reasonable cure period. |
| Private or Public Offer of Securities | Our costs and expenses associated with reviewing the proposed offer | Before the offering | No offering shall imply in any manner whatsoever that we are participating in an underwriting, issuance, or offering of your securities.                                                                                                                                  |
| Costs and Attorneys' Fees             | Actual fees incurred                                                | Payable as incurred | You must reimburse us for our expenses in enforcing or terminating the Agreements.                                                                                                                                                                                        |
| Indemnification                       | Amount of loss suffered                                             | Upon demand         | You must reimburse and pay our attorneys' fees and related costs if we are held liable for claims from your operation of the Facial Shop.                                                                                                                                 |

Notes:

Note 1. All fees are payable to us and are uniformly imposed and non-refundable. Unless otherwise noted, all fees are payable to us.

Note 2. "Gross Revenue" means the aggregate of: (1) all revenue from the sale of products and services, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, that you, in the normal course of your operations would credit or attribute to the operation of a SKOAH® Facial Shop; (2) all monies, trade value or other things of value that you receive from Facial Shop operations at, in, or from the Facial Shop premises that are not expressly excluded from Gross Revenue; and (3) business interruption insurance proceeds. Gross Revenue does not include: (a) the exchange of merchandise between SKOAH® Facial Shops (if you operate multiple Facial Shops) if the exchanges are made solely for the convenient operation of your business and not for the purpose of depriving us of the benefit of a sale that otherwise would have been made at, in, on or from the Facial Shop premises; (b) returns to shippers, vendors, or manufacturers; (c) sales of fixtures or furniture after being used in the conduct of the Facial Shop business; (d) cash or credit refunds for transactions included within Gross Revenue (limited, however, to the selling price of merchandise returned by the purchaser and accepted by you); (e) the amount of any city, county, state or federal sales, luxury or excise tax on such sales that is both (i) added to the selling price or absorbed therein and (ii) paid to the taxing authority by you. Customer refunds may be deducted from Gross Revenue if the charge was previously included in Gross Revenue.

Note 3. Each of your skin care technicians must comply with our mandated continuing education requirements. For certain technicians, the state in which they are licensed or certified may also mandate certain continuing education requirements. Completion of those state mandated requirements are not a

substitute for our own requirement. In addition to our fee for continuing education training; you will be responsible for all related travel, lodging, and dining costs for your attendees and/or our staff who may travel to your facial shop.

Note 4. If you or your Owners are transferring part, but not all, of their respective interest in the franchisee, the Transfer Fee equals \$2,500. If such transfer, however, results in additional required training, you will be responsible for paying our then-current tuition for the training as well as travel, lodging, and dining expenses. A Transfer Fee of \$5,000, plus our related attorneys' fees, applies if you transfer all of your interest in the Franchise Agreement and all or substantially all of the assets of the Facial Shop.

Note 5. If franchisor-owned outlets are a part of a cooperative, such outlets shall have same voting power as any given franchisor.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**  
**YOUR ESTIMATED INITIAL INVESTMENT**

Single-Unit Franchise

| TYPE OF EXPENDITURE                                                         | AMOUNT               | METHOD OF PAYMENT | WHEN DUE                           | TO WHOM PAYMENT IS TO BE MADE                            |
|-----------------------------------------------------------------------------|----------------------|-------------------|------------------------------------|----------------------------------------------------------|
| Initial Franchise Fee <sup>1</sup>                                          | \$49,500             | Lump sum          | When Franchise Agreement is signed | Us                                                       |
| Lease Payment (first 3 months) <sup>2</sup>                                 | \$10,500 - \$24,220  | As arranged       | As incurred                        | Landlord                                                 |
| Security Deposits <sup>3</sup>                                              | \$4,500 - \$9,892    | As arranged       | As incurred                        | Landlord                                                 |
| Leasehold Improvements <sup>4</sup>                                         | \$93,270 - \$205,946 | As arranged       | As required                        | Contractors and third party suppliers                    |
| Furniture, Fixtures, Décor, and Equipment <sup>5</sup>                      | \$68,328 - \$98,705  | As arranged       | As required                        | Our Affiliate and Approved Suppliers                     |
| Facial Shop Layout, Architect, Engineer, Drawings, and Permits <sup>6</sup> | \$12,000 - \$15,000  | As arranged       | As required                        | Approved suppliers, our preferred architect and engineer |
| Construction Management <sup>7</sup>                                        | \$0 - \$10,000       | Lump sum          | As incurred                        | Approved suppliers or third party suppliers              |
| Initial Supplies <sup>8</sup>                                               | \$5,478 - \$6,987    | As arranged       | As incurred                        | Approved suppliers                                       |
| Outdoor Signage                                                             | \$3,365 - \$13,497   | As arranged       | As incurred                        | Approved suppliers                                       |

| TYPE OF EXPENDITURE                                             | AMOUNT                | METHOD OF PAYMENT   | WHEN DUE            | TO WHOM PAYMENT IS TO BE MADE                                                               |
|-----------------------------------------------------------------|-----------------------|---------------------|---------------------|---------------------------------------------------------------------------------------------|
| Point of Sale ("POS") Register, Hardware, Software <sup>9</sup> | \$11,036 - \$13,213   | As arranged         | As incurred         | Approved suppliers                                                                          |
| Initial Inventory Package <sup>10</sup>                         | \$18,000 - \$25,000   | As arranged         | As incurred         | Our Affiliate                                                                               |
| Pre-opening training expenses <sup>11</sup>                     | \$7,500 - \$12,000    | As arranged         | Before opening      | Us and third party suppliers of transportation, food and lodging for you and your employees |
| Telephone and Utility Deposits and Expenses                     | \$250 - \$500         | As arranged         | As incurred         | Third party suppliers                                                                       |
| Grand Opening Event                                             | \$1,000 - \$1,500     | As arranged         | As incurred         | Approved suppliers                                                                          |
| Business Licenses, Permits, etc. (first year)                   | \$200 - \$1,300       | As agencies require | As agencies require | Applicable agencies                                                                         |
| Insurance Deposits and Premiums (first three months)            | \$1,500 - \$2,000     | As agent requires   | Before opening      | Insurance carriers                                                                          |
| Professional Fees (first year)                                  | \$1,000 - \$3,000     | As arranged         | As incurred         | Your accountant, attorney, and other professionals                                          |
| Additional Funds - (first three months) <sup>12</sup>           | \$35,000 - \$45,000   | As arranged         | As incurred         | Employees and Approved Suppliers of goods and services                                      |
| Grand Total <sup>13</sup>                                       | \$322,427 - \$537,260 |                     |                     |                                                                                             |

Multi-Unit Development (2-Pack or 3-Pack)

| TYPE OF EXPENDITURE | AMOUNT                                 | METHOD OF PAYMENT | WHEN DUE                                | TO WHOM PAYMENT IS TO BE MADE |
|---------------------|----------------------------------------|-------------------|-----------------------------------------|-------------------------------|
| Development Fee     | \$79,500 (2-Pack)<br>\$99,500 (3-Pack) | Lump sum          | Upon execution of Development Agreement | Us                            |

| TYPE OF EXPENDITURE                                   | AMOUNT                                                                                     | METHOD OF PAYMENT                                                                                                                                                                                                                                                                                                               | WHEN DUE | TO WHOM PAYMENT IS TO BE MADE |
|-------------------------------------------------------|--------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-------------------------------|
| Initial Investment to Open Initial/Single Facial Shop | \$272,927 - \$487,760                                                                      | Totals from Chart A of this Item 7 less the Initial Franchise Fee.                                                                                                                                                                                                                                                              |          |                               |
| Grand Total <sup>13</sup>                             | \$352,427 - \$567,260<br>(2 Facial Shops)<br><br>\$372,427 - \$587,260<br>(3 Facial Shops) | This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of two to three, as well as the estimated initial costs to open and begin operating your initial Facial Shop for the first three months (as described more fully in the “Single Unit Franchise” chart above). |          |                               |

Notes:

Note 1. This figure represents the Initial Franchise Fee of \$49,500 if you enter into a Franchise Agreement for a single unit. The Development Fee is credited toward the full Initial Franchise Fee for each of the Franchise Agreements you will enter into for a multi-unit development deal for the right to develop multiple Facial Shops.

Note 2. We reserve the right to approve the location of your Facial Shop, and you must construct, remodel, alter and improve the location to our specifications. These figures assume that your location will be a leased, retail store-type unit. A typical Facial Shop will be located inside of or adjacent to a retail strip mall or shopping center, or, in the alternative, in urban storefronts. The size of a typical facial shop location will range from 1,432 to 1,600 square feet and the cost of rent will vary depending upon factors such as size, condition of premises, and location. Monthly lease payments for a three month period will range from approximately \$10,500-\$24,220.

Note 3. Security Deposits are generally required by Landlords and are usually equal to 1-1/2 month’s rent. These amounts can vary depending on various lease provision and your credit rating.

Note 4. Construction and remodeling costs vary widely, depending upon geography, real-estate demand, labor costs, the facial shop location, design, configuration and condition of the premises, the condition and configuration of existing services, and facilities such as air conditioning, electrical and plumbing, and the terms of your lease. Construction costs will be higher if the size of your facial shop is larger. The figures in the chart do not include a general contractor’s fee. Both the low and high range assumes you will receive a tenant improvement allowance. The low range assumes a 1,400 sq. ft. location and the high range assumes a 1,600 sq. ft. location.

Note 5. Furniture, fixtures and equipment also include all interior design elements, and interior signage. If any special or additional equipment or fixtures is needed to provide facial shop services you must acquire that equipment or fixture, the cost of which may be significant. Facial shops will range from six to eight stations. \$18,000 to \$24,000 of the amount listed in the table is payable to Liberty Distribution, LLC. Shipping costs and sales tax are included in this range but will vary depending on your location.

Note 6. This range includes our preferred Architect’s fee for your SKOAH store complete construction drawings.

Note 7. These services are not required, however, if you elect to appoint a preferred vendor to provide you with construction management services, we have options for such services. The low range in the chart assumes you elect not to use such services where the high range assumes you do.

Note 8. The initial supplies accounted for in this range include all start-up supplies including office, backbar, merchandising, and business supplies (such as stationery, business cards, brochures, and other print materials) and other general supplies.

Note 9. The above range includes the cost of all system set-up and installation, including all required computer system software and hardware, including firewall requirements, point of sale terminals, cash drawer, Facial Shop Software Enterprise licenses, server license, and point of sale management software. This range also includes payments to our designated supplier for QuickBooks Online and other accounting software and installation, our customized chart of accounts, a customized manual, and initial remote training.

Note 10. If for any reason your Facial Shop does not open (other than in the event the parties mutually agree to extend the originally established Control Date), our approved vendor may refund the purchase amount for the Initial Inventory Package upon its receipt of the unopened, undamaged, complete inventory; otherwise, the inventory fee is not refundable. The figures included in the chart do not include additional inventory you may choose to purchase at your option.

Note 11. You must make arrangements for, and pay the expenses, including travel accommodations of, each individual who attends our initial business training program. Such expenses will include transportation, lodging, meals, and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose and the type and location of the training you receive. The figures in the chart represent the estimated cost for one individual to attend our initial training program currently hosted in Ann Arbor, Michigan. Any fees related to additional training needed or requested beyond those which are initial are represented in the Franchise Agreement. \$7,500 of the amounts listed above are payable to us.

Note 12. These amounts are the minimum recommended levels to cover operating expenses including your employees' salaries and stylist wages, and local marketing for three months. These estimates do not include managerial salaries or any payment to you. These estimates also do not take into account finance payments, charges, interest, and related costs you may incur if any portion of the initial investment is financed by a third party. We do not offer direct or indirect financing. These amounts are the minimum recommended levels to cover operating expenses, including your employees' salaries for three months. The amounts listed for this category are based on a proforma model of both revenue and costs associated with the first three months in business, including historical data from our franchisees.

Note 13. These figures are estimates of your initial expenses covering the first three months of your operation. This range represents the total estimated initial investment required to open the initial Facial Shop you agreed to open and operate under the Development Agreement and does not include any of the costs you will incur in opening any additional Facial Shops you agree to develop under your Development Agreement. All amounts are non-refundable, with exception of Initial Product Inventory Package.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Purchases from Approved or Designated Suppliers

##### Facial shop Supplies

The integrity of our brand is directly related to our products and services. You must purchase from our

designated suppliers, all products and supplies needed to provide Facial shop services including cosmetic creams, lotions, oils and creams, as well as design products, and, if applicable, any other products that relate to our current or developing services. Currently, the supplier of such products and supplies is our affiliate Liberty. Products and supplies may also be distributed by Skoah Inc. who is not an affiliate.

#### Facial shop Retail Products Inventory

You must also purchase from us or from designated suppliers all private label cosmetics and skin care lines. Additional purchases you must make from us or from designated suppliers include any products or materials developed by or for us and/or which bear our trademarks (“Proprietary Products”). Included among our Proprietary Product is our private label cosmetics and skin care line (“Private Label Products”) which you must also purchase from Liberty or Skoah, Inc. You must purchase and maintain such minimum level of inventory of our Proprietary Products as needed to meet the Facial shop’s reasonably anticipated consumer demand. You must purchase all products and materials which bear any of our trademarks solely and exclusively from us, our affiliates, or from a producer, manufacturer, distributor or supplier we designate or approve.

If you purchase any items from us or our affiliates, we may derive profits from these purchases. John Rotche, the Chief Executive Officer of Franworth, owns an interest in Liberty, which is currently an approved supplier. Except for Mr. Rotche’s interest in Liberty, none of our officers owns an interest in any privately-held suppliers, or a material interest in any publicly-held suppliers of SKOAH® franchise system. From time to time, our officers may own non-material interests in publicly-held companies that may be suppliers to our franchise system.

#### Facial shop Layout Design and Fixtures, Furniture, and Additional Materials, Supplies, and Products

You will engage our designated supplier for the layout design. You will also engage our construction management supplier for your Facial shop. This same supplier will also serve as your supplier for much of the Facial shop’s furniture and fixtures. In general, we may designate suppliers from whom you will be required to purchase certain non-proprietary fixtures, furnishings, equipment, uniforms, supplies, marketing materials, forms, computer hardware, software, modems and peripheral equipment and other products, supplies, services and equipment, other than Proprietary Products, which you may or must use or sell at or through the Facial shop. You may use, offer or sell only those non-proprietary products that we expressly authorize, and you may purchase them from (i) us or our affiliates, (ii) suppliers we designate, or (iii) suppliers you select that we approve in advance in writing.

#### Computer System, Software, and Music License

You must purchase the POS computer hardware and software system from our approved suppliers. You will also be required to subscribe to certain services including accounting services, POS-related subscriptions, operating system and office software licenses, and music licenses. See Item 11 for more information about computer hardware and software requirements.

#### Supplier Approval

We will provide you with our Manual and various supplemental bulletins and notices that will contain the specifications, System standards, and restrictions on your purchase of products and services. Upon request, we will furnish to you a list of approved suppliers which we may update periodically.

If you desire to purchase products from a supplier other than our approved suppliers, you must submit a written request to us for approval of the proposed supplier, together with any evidence of conformity with our standards and specifications as we may reasonably require, or will request the supplier itself to do so. We may inspect and evaluate the supplier’s facilities and products before we approve or disapprove your proposed supplier, and you must pay all of our reasonable costs and expenses incurred in doing so. You may not use a supplier before you receive our written approval. A supplier must demonstrate to our reasonable satisfaction that it can supply an item meeting our standards and specifications for the item, that

it is in good financial standing in the business community and that its products and services are reliable. We will provide you with our specifications and standards and our criteria for approval of suppliers and will approve or disapprove a proposed supplier in 60 to 90 days. We will notify you if and when we no longer approve a previously approved supplier. A supplier must continually adhere to our standards and specifications to maintain its approval.

Except as stated in this disclosure document, you are not obligated to purchase from a particular approved supplier, but must use specific brands of equipment, and in some situations certain comparable brands of equipment may be acceptable, subject to our prior written approval.

#### Franchised Location and Lease

You are required to use our designated supplier for site selection assistance. There is a \$3,000 fee for this service which must be paid upfront.

You must acquire a site for your Facial shop that meets our site selection criteria and that we approve. If you occupy the Facial shop according to a commercial lease, the lease must contain terms that we specify. (See Lease Addendum attached as Attachment F to the Franchise Agreement).

You must construct, equip, and improve the Facial shop in compliance with our current design standards and trade dress. You must purchase and install, at your expense, all millwork and customized fixtures, furnishings, equipment (including a point-of-sale cash register system), décor, and signs from our approved third-party suppliers.

If we grant you the right to open and operate multiple Facial shops under a Development Agreement, you may not enter into your Franchise Agreement for each subsequent Facial shop opened under your Development Schedule until you have found a Premises for that subsequent Facial shop that we accept.

#### Insurance

You must obtain and maintain insurance policies protecting you, and us as additional insured, on a primary non-contributory basis. The additional insured should be listed on the certificate as follows: Skoah Franchise LLC, and its officers, managers, members, partners, shareholders, regional directors, subsidiaries and affiliates, agents and employees; and it must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029 (or an endorsement form with comparable wording acceptable to us), as well as third-party coverage endorsement, and joint employer coverage endorsement. The policy must contain a waiver of all subrogation rights against us, our affiliates, and their successors and assigns, and must provide for 30 days' prior written notice to us of any material modifications, cancellations, or expirations. The insurance must be underwritten by insurers licensed and admitted to write coverage in the state in which the Facial shop is located and must have an A.M. Best rating of "A" or higher. If permitted by your local laws and regulation, you must also add Skoah, Inc. as an additional insured.

These policies must include the coverage that we require, which currently includes: (a) "all risk" or "special" property insurance covering all real and personal property and equipment on a replacement costs basis, including business interruption and extra expense insurance on an actual loss sustained basis, (b) comprehensive general liability insurance, including products and completed operations in an amount of not less than the following combined single limits: \$1,000,000 per occurrence, \$1,000,000 personal and advertising injury, \$1,000,000 completed operations/products aggregate, \$2,000,000 aggregate per location; (c) automobile liability coverage, including coverage of owned, non-owned, rented or hired vehicles with coverage in amounts not less than \$1,000,000 combined single limit, (d) employment practices liability coverage with a limit of \$500,000 per occurrence and in the aggregate, (e) professional liability insurance for all state-licensed beauty or health professionals with minimum coverage of \$1,000,000 per occurrence, (f) workers' compensation insurance for statutory limits, (g) employer's liability insurance in an amount not less than \$1,000,000, and (h) any insurance as is necessary to comply

with all legal requirements concerning insurance coverage for you and your personnel attending our training programs.

At least 10 days before you are required to carry insurance, and after that at least 30 days before the expiration of any policy, you must deliver to us certificates of insurance evidencing the proper types and minimum amounts of required coverage, and evidence of the additional insured and waiver requirements. If you fail to maintain the required insurance, we or our designee may obtain the insurance for you and charge and demand reimbursement of the premium costs and costs of acquiring the insurance. Each year we may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

We may periodically increase the amounts of coverage required under these insurance policies and require different or additional kinds of insurance at any time, including excess liability insurance, to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, or other relevant changes in circumstances.

#### Revenue Derived from Franchisee Purchases and Leases

We will derive revenue from franchisee purchases and leases to the extent that franchisees purchase products or services from us, or our affiliates. During our fiscal year ending December 31, 2021, we received no revenues, which is 0% of our total revenues of \$0, as a result of franchisee purchases or lease. During its fiscal year ending December 31, 2021, Liberty Distribution, LLC derived \$208,066 in revenue from franchisee purchases.

#### Estimated Proportion of Required Purchases and Leases to all Purchases and Leases

We estimate that substantially all of your expenditures for leases and purchases in establishing your Facial shop and approximately 30% to 35% of your total annual operating expenses on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

#### Description of Purchasing Cooperatives; Purchasing Arrangements

We may negotiate purchase arrangements with primary suppliers for the benefit of franchisees. If we negotiate a purchase agreement for the region where your Facial shop is located, you must participate in the purchasing program. Presently there are no purchasing or distribution cooperatives in existence for the franchise system.

We do not provide material benefits to you (for example, renewal or granting additional franchises) based on your purchase of particular products or services or use of particular suppliers.

## ITEM 9 FRANCHISEE'S OBLIGATIONS

These tables list your principal obligations under the franchise, development, and other agreements. They will help you find more detailed information about your obligations in these agreements and in other items of this disclosure document.

| Obligation                                                  | Section(s) in Franchise Agreement and Development Agreement                                                                                    | Disclosure Document Item |
|-------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| a. Site selection and acquisition/lease                     | Franchise Agreement: Sections 3.1. and 3.3. and Section 1 Development Agreement: Attachment A                                                  | Items 8 and 11           |
| b. Pre-opening purchases/leases                             | Franchise Agreement: Sections 3.4., 6.5., 6.6., and 10.1.                                                                                      | Items 5, 7, 8 and 11     |
| c. Site development and other pre-opening requirements      | Franchise Agreement: Sections 3.2., 3.4., and 5.1.<br>Development Agreement: Section 1 and Attachment A                                        | Items 7, 8 and 11        |
| d. Initial and ongoing training                             | Franchise Agreement: Sections 5.1., 5.3., 5.5., 5.6., 5.7., and 5.8.                                                                           | Items 6 and 11           |
| e. Opening                                                  | Franchise Agreement: Sections 3.5. and 5.2. and Section 5<br>Development Agreement: Attachment A                                               | Item 11                  |
| f. Fees                                                     | Franchise Agreement: Sections 4.1., 4.2., 4.3., 4.4, 4.5., 4.10., 4.11, 9.2., 9.3., 9.4., 12.3., and 12.4.<br>Development Agreement: Article 2 | Items 5, 6, 8 and 11     |
| g. Compliance with standards and policies/ Operating Manual | Franchise Agreement: Article 8                                                                                                                 | Item 8, 11, 14 and 16    |
| h. Trademarks and proprietary information                   | Franchise Agreement: Article 7                                                                                                                 | Items 11, 13 and 14      |
| i. Restrictions on products/services offered                | Franchise Agreement: Sections 6.4., 6.5., 6.6., 6.7., and 6.8.                                                                                 | Items 8 and 16           |
| j. Warranty and customer service requirements               | Not applicable                                                                                                                                 | Not applicable           |

| Obligation                                             | Section(s) in Franchise Agreement and Development Agreement                              | Disclosure Document Item |
|--------------------------------------------------------|------------------------------------------------------------------------------------------|--------------------------|
| k. Territorial development and sales quotas            | Franchise Agreement: Not applicable<br>Development Agreement: Article 1 and Attachment A | Item 12                  |
| l. Ongoing product/service purchases                   | Franchise Agreement: Sections 6.5., 6.6. and 8.2.                                        | Item 8                   |
| m. Maintenance, appearance and remodeling requirements | Franchise Agreement: Sections 6.7. and 6.10.                                             | Items 7, 8 and 11        |
| n. Insurance                                           | Franchise Agreement: Section 11.2.                                                       | Item 7 and 8             |
| o. Advertising                                         | Franchise Agreement: Article 9                                                           | Items 6 and 11           |
| p. Indemnification                                     | Franchise Agreement: Section 11.3.                                                       | Items 6 and 12           |
| q. Owner's participation/management/staffing           | Franchise Agreement: Sections 6.2., and 6.3.                                             | Item 15                  |
| r. Records and reports                                 | Franchise Agreement: Sections 10.4, 10.5, and 10.6.                                      | Item 6                   |
| s. Inspections and audits                              | Franchise Agreement: Section 10.7.                                                       | Items 6 and 11           |
| t. Transfer                                            | Franchise Agreement: Article 12<br>Development Agreement: Article 8                      | Items 6 and 17           |
| u. Renewal                                             | Franchise Agreement: Section 2.2.                                                        | Items 6 and 17           |
| v. Post-termination obligations                        | Franchise Agreement: Article 14<br>Development Agreement: Articles 12 and 13             | Items 6 and 17           |
| w. Non-competition covenants                           | Franchise Agreement: Article 15                                                          | Item 17                  |
| x. Dispute resolution                                  | Franchise Agreement: Article 19<br>Development Agreement: Articles 12, 13, and 15        | Item 17                  |
| y. Guaranty                                            | Franchise Agreement: Section 18.6.                                                       | Item 15                  |

## **ITEM 10 FINANCING**

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

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

**Except as listed below, Skoah Franchise, LLC, is not required to provide you with any assistance.**

### Pre-opening Obligations.

Before you open the Facial Shop for business:

1. We will approve the Site Selection Area in which you may locate your Facial Shop before you sign the Franchise Agreement, and we will approve or refuse to approve the specific Facial Shop site within 30 days of receiving all requested information. (Franchise Agreement, Section 3.2.). If you have entered into a Development Agreement for the right to open multiple Facial Shops, we will designate your Site Selection Area where you will have the right to locate and secure a Premises for each of your Facial Shops (each of which we must accept). (Development Agreement, Section 1)
2. We will admit two individuals to our initial business training program, as described below. You will pay a fee for any additional attendees. (Franchise Agreement, Section 5.1.1)
3. We will also provide technical service training to you and, if you so elect, to your stylists. This training may be provided on-site at your facial shop, at our designated training facility or such other location we determine at our discretion. (Franchise Agreement, Section 5.1.2)
4. We will make available, on loan to you, one digital copy of our Manuals. (Franchise Agreement, Section 8.1.) The Table of Contents of our Confidential Operations Manual is attached to this disclosure document as Exhibit E. Our Manual contains 267 pages.
5. We will provide such pre-opening consultation and advice as we deem appropriate, which may include advice with regard to the development and operation of the Facial Shop, building layout, furnishings, fixtures, and equipment, plans and specifications, employee recruiting, selection, and training, purchasing and inventory control, marketing, and such other matters as we deem appropriate. (Franchise Agreement, Section 5.4.) We do not directly contribute to the hiring of employees. However, we provide assistance in the initial training for opening the Salon.
6. We will assist you in creating an initial Local Marketing and promotional strategy to promote the opening of the Facial Shop, including a Grand-Opening event and other strategies. (Franchise Agreement, Section 9.2.).

### Continuing Obligations.

During the operation of the Facial Shop:

1. We will provide such ongoing consultation and advice as we deem appropriate, which may include information about new services and product developments, instruction concerning the operation

and management of the Facial Shop, advertising and marketing advice, and financial and accounting advice. (Franchise Agreement, Section 5.5.)

2. We will communicate to you information about our approved and designated suppliers. (Franchise Agreement, Section 6.6.)

### Advertising

Our recommended local advertising program for the products and services offered by SKOAH® Facial Shops currently consists of digital and community-based advertising in certain targeted markets. Our advertising and marketing materials are currently developed both in-house and with the help of outside advertising agencies and consultants. You will have access to all of our marketing and advertising templates through our Intranet website. You are required to use, feature and display only marketing materials, including brochure-ware, digital and all social assets, that are created by us.

We must approve all of your promotional and marketing materials before you use them. To obtain approval, you must submit to us samples of the proposed materials and notify us of the intended media. We will use good faith efforts to approve or disapprove your materials within 15 days from the date we receive them. You may not use the materials until they are expressly approved by us, and we have the right to disapprove materials that we have previously approved. We must also approve all of your promotional and marketing programs, events, and all other related activities before their implementation. To obtain approval, you must submit a detailed outline of all proposed promotional and marketing activities, as well as all other information we may reasonably request. Once we have received the requested information, we will use good faith efforts to approve or disapprove your proposed promotional activities within 15 days.

### Grand Opening Event

You must invest between \$1,000 - \$1,500 on a grand opening event to promote your Facial Shop's grand opening "open-house." We will assist you in creating a marketing and promotional strategy for the Grand Opening event, including suggestions around scheduling relative to the soft-opening of your facial shop. This grand opening expenditure amount is in addition to the local advertising requirement for your first year, which begins in your first month of operation.

### Marketing Fee

We do not require that you contribute to an advertising fund. As described in Item 6, however, we impose and collect 2% of Gross Revenue as a Marketing Fee which compensates us for certain marketing and promotional activities such as the management of online entities and the creation and production of promotional materials. While we have no contractual obligation to do so, it is our intent to spend Marketing Fee monies, or an equivalent amount, on regional and national brand development, promotions, websites, and other brand awareness activities. We do not guarantee that you will benefit from the Marketing Fee in proportion to your Marketing Fee payments.

Marketing Fee monies will not be held in a trust or escrow account, nor do we have any contractual obligation to account for Marketing Fee monies separately, and we will not have any fiduciary obligations to you with respect to the Marketing Fee. We will determine the use of the Marketing Fee monies. A franchisee may request an annual report of general category spending of collected Marketing Fees. This report may be requested in writing and will be provided in the manner we determine no more than one time per year and only after March 1 for the prior year. If Marketing Fee monies are not spent in the fiscal year in which they accrue then, as these amounts are general operating funds, we may spend such monies as we deem appropriate. We will not be required to spend any particular amount on marketing, advertising, or

promotion in your Facial Shop's market area, nor any pro rata amount based upon your Marketing Fee payment. We do not primarily use Marketing Fees received for the solicitation of new franchise sales. During our most recently completed fiscal year, Marketing Fees were spent in the following approximate percentages: 86% production; 4% media; 10% administrative expenses; and 0% other uses. Franchisor-owned outlets are not obligated to pay Marketing Fees.

### Local Advertising

During the term of the Franchise Agreement, you must spend a minimum of \$2,000 per month during the first 12 full months of the Facial Shop's operation on approved marketing and promotional activities in your market area. This amount is in addition to the Grand Opening Event marketing expenditure. After the first 12 full months of operation, you must spend a minimum of \$1,500 per month to promote the Facial Shop in your market area. You must report, in the format we require, as often as quarterly but no less than annually, your itemized local advertising expenditures to confirm the required expenditures have been met.

If you fail to meet the minimum spending requirement, we may, upon your receipt of our written notice (and on a going forward basis) deduct the required local advertising expenditure amount each month from your account which we will spend on your behalf to promote the Facial Shop in your market area. We will continue this process until such time as we may determine, in our sole discretion, that you can reassume this obligation on your own behalf.

### Advertising Cooperative or Advertising Council

We may, in our sole discretion, elect to form an advertising cooperative and/or advertising council for the benefit of the franchise system. If advertising cooperatives or councils are formed, we will retain the right to change, dissolve or merge any such cooperative or council, in our sole discretion. As of the date of this disclosure document we have not established any advertising cooperative or council, however, when applicable, the terms of the Franchise Agreement require you to participate in any such advertising cooperative or council as directed by us. The members of the Cooperative for any such area will consist of all Skoah Facial Shops whether operated by us, our affiliate, or by any of our affiliate's wholly-owned subsidiaries or by franchisees. The franchisees will administer the cooperative. Franchisor-owned outlets will contribute. We have established a minimum monthly contribution of \$1,000 per Facial Shop for each Cooperative. You will not have to contribute more than \$3,000 each month. Governing documents are not available for the franchisee's review.

### Computer Systems

You must purchase, install and maintain the electronic point of sale computer systems that we designate to record sales and transaction data (such as appointment time, item or service ordered, price, and date of sale) as well as data related to Facial Shop operations (the "Computer System"). You will use the Computer System as a cash register system, a customer data system, a marketing system, an inventory system, an employee payroll and time maintenance system, a daily sales reporting system, and an accounting system.

You must connect the Computer System to a communications channel capable of accessing high speed internet via a third party network. We also require that you purchase our required firewall/router to create a network for your Facial Shop's computers and to grant us, and other designated third parties such as our designated computer support supplier, remote access your Computer System. Updates or replacement of the Computer System, both hardware and/or software, may be required. There is no contractual limitation on the frequency or cost of these obligations. We will have the right to independently access all information and financial data recorded by the system for daily polling, audit and sales verification. There are no contractual limitations to our right to access the information and data recorded by your system.

The approximate cost to purchase the Computer System, computer software, and hardware is \$11,036-\$13,213. This amount includes the cost of installation and the POS initial set up fee described below as well as the music system. You must purchase both the required hardware and software from our designated and approved suppliers. Your Facial Shop will utilize three iPads, a desktop PC, and the option to add a laptop PC, as part of the approved computer system.

You will purchase a subscription to our POS provider. The current ongoing subscription fee of \$355 per month for the generic product, and text messaging but does not including additional services. This subscription includes technical support. This fee is subject to change.

No later than 90 days after you begin our on-boarding process, you must subscribe to the designated accounting software package as provided by our designated supplier, currently Intuit QuickBooks Online. You must utilize our customized chart of accounts. There is currently an ongoing \$28 per month service fee for your use of the accounting software required.

You must also use a voice over internet protocol phone system through our designated supplier. The current monthly fee for this service is \$17 per month per telephone and \$4 per month per telephone line. You will also pay the current Microsoft Office 365 and email services cost of \$12.50 per month and \$4 per month for antivirus software.

We have also established a Technology Fee, currently \$175 per month, which we will apply toward such software and technology related costs, intranet development, support, maintenance, and related costs; software or application development, customization, and implementation; online or Internet-related support; hardware and/or software support; business intelligence development and other such technologically-related activities.

At our request, you must, install and maintain interactive multi-media equipment, devices, and facilities that we require, including approved music systems, wi-fi and other wireless Internet and communications systems, and interactive displays, including flat screens.

Except as described above, neither we, our affiliates, nor any third parties must provide ongoing maintenance, repairs, upgrades, or updates to your computer system or other computer equipment. Except as described above, there are currently no optional or required maintenance/upgrade contracts for the Computer System or other computer equipment.

You must install any other hardware and/or software for the operation of the Facial Shop that we may require in the future, including any enhancements, additions, substitutions, modifications, and upgrades. There is no contractual limitation on the frequency or cost of these obligations. We may also require you to license from us, or others we designate, any computer software we develop or acquire for use by SKOAH® Facial Shops.

#### Initial Training Program

The Initial Training Program consists of three components in two segments: The first segment being Ann Arbor Business Training, and the second being Facial Shop Opener Training and Initial Stylist Training conducted in your facial shop. You are eligible to attend Ann Arbor Business Training only after you have a signed Lease. Typically, franchisees attend Business Training within 90 to 100 days of their anticipated Soft-Opening. The completion of Ann Arbor-based business-related classroom training is mandatory. We reserve the right to delay this training if all of the pre-training requirements, as set forth in the Manual and onboarding processes, are not met. If you are hiring a General Manager to run the facial shop operations, we strongly recommend you have them attend this training as well. Our business-related initial training

program will be held at a classroom facility that we designate in the Ann Arbor, Michigan area, although we reserve the right to designate another training facility. We will provide the training, the instructor(s), a training manual, and other materials without charge for up to two trainees. You must pay us a fee (currently \$300 per day) for each additional attendee you send to the initial training program. We reserve the right to implement online training in addition to, or that cover certain, business-related subject matters currently included in classroom training sessions. You are responsible for all travel and lodging expenses related to attending Ann Arbor Business Training. Our training program is led by John Cohen who has over 15 years experience in training and 3 years experience in training in the health and beauty industry. John Cohen has been with us since inception, developing, training and supporting the current franchisees.

The second portion of the initial training program has two components and relates to Facial Shop Opening and stylist training. Currently we provide one individual (Corporate Skin Care trainer) to provide you with on-site esthetician training services at your Facial Shop for a period of up to 4 days, typically in conjunction with a second individual (Facial Shop Opener for 3 days) to provide opening support, software and sales training. This training is scheduled at our discretion and is subject to our availability. The Initial Training Fee of \$7,500 currently includes the cost of travel for two corporate personnel, typically the Facial shop Opener and Corporate Skin Care trainer at your first facial shop only. Any/all additional training, including training for—if applicable—your second and subsequent facial shops, is currently provided at \$300/day plus travel. Training is conducted on an as needed basis, in conjunction with Franchisees development, opening schedule and needs, but in no event less than twice per year.

You must attend and participate in all sessions of the initial training program. If we determine that you have not completed or are unable to complete our initial training program satisfactorily, we may offer another chance to re-take the initial training program at your expense. Your failure to complete initial training to our satisfaction will give us the right to terminate your Franchise Agreement.

### TRAINING PROGRAM

| Subjects                                                                                                                                                          | Hours of Classroom Training | Hours of On the Job Training | Location                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------|--------------------------------------------------------------|
| Initial Business Training (HR & Team Planning, Unit Economics Planning, KPI Metrics, Selling Skills and Opportunities, NSO Marketing Planning, General Operations | 16 – 36                     | 0                            | Ann Arbor, Michigan or such other designated training center |
| Retail Sales, Product Knowledge, Purchasing and Inventory                                                                                                         | 5                           | 0 – 5                        | Ann Arbor, Michigan or such other designated training center |
| Marketing, Grand Opening and Ongoing Marketing                                                                                                                    | 5                           | 0 – 5                        | Ann Arbor, Michigan or such other designated training center |
| Skin Care Trainer Training                                                                                                                                        | 0 – 20                      | 0 – 40                       | On the job training: your Facial Shop location               |
| Facial Shop Operations and Front Desk Management Training                                                                                                         | 8                           | 0 – 24                       | On the job training: your Facial Shop location               |

|       |         |        |  |
|-------|---------|--------|--|
| TOTAL | 34 – 74 | 0 – 74 |  |
|-------|---------|--------|--|

If we determine, however, that you have not met the minimum requirements for the establishment of the Facial Shop by the timelines set forth in the Manual, we may elect to provide you with additional on-site assistance as we deem appropriate and you agree to pay our per diem fee for this additional assistance as well as our related travel, lodging, and dining costs.

We may make available additional courses, seminars, and other training programs as we consider appropriate. You must cause your General Manager and other employees whom we designate to attend these mandatory programs. In addition to our fee related to such additional training programs, you must pay all attendance related travel, lodging, and dining costs for your Managing Owner, General Manager and designated employees.

### Site Selection and Opening

We do not generally own any of the premises leased to you. When you sign the Franchise Agreement, we will agree on a “Site Selection Area” within which you must locate the Facial Shop. If we grant you the right to open multiple franchises under our form of Development Agreement, you will be granted a similar Site Selection Area wherein you will be required to open a certain number of Facial Shops as set forth in your Development Schedule. Once you have identified an accepted location, we will define and provide your “Protected Area.” This “Protected Area” will consist of an area, typically a circle, surrounding your premises containing a population of up to 75,000 individuals, and will not exceed a maximum diameter of six miles (or a three-mile radius) You must acquire an acceptable site and open your Facial Shop by no later than the Control Date identified in the Franchise Agreement, which is one year from the effective date of the Franchise Agreement. If you fail to acquire an acceptable site by Control Date, we will grant you a 90-day extension so long as you have engaged our designated supplier for site selection services and are actively pursuing an acceptable Facial Shop location. If you are not actively pursuing a facial shop location, we may terminate the Franchise Agreement and your Initial Franchise Fee will be forfeited.

For each proposed site that you identify, you must deliver to us a franchise site application in a form that we prescribe, including information about the site as we may reasonably request to perform our evaluation. We will approve or refuse to approve your proposed site within 30 days of receiving all requested information about the site. The criteria that we use to evaluate the site include general location, neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings, and lease terms. Except for the provision of a design and construction manual, we do not provide assistance to conforming the premises to local ordinances and building codes or obtaining any required permits, and/or constructing remodeling, or decorating the premises, and or hiring and/or training the employees. Franchisor does not generally own the premises, nor leases it to the franchisee.

A Facial Shop usually opens for business within twelve months after the Franchise Agreement is signed. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to locate a location which we will accept; to obtain any financing you need; to obtain required licenses, permits, and governmental agency approvals; to fulfill local ordinance requirements; to complete construction, remodeling, alteration, and improvement of the Franchised Location, including the installation of fixtures, equipment, and signs; and to complete our initial training program and to complete the hiring and training of personnel. Delay in construction may be caused by inclement weather, material or labor shortages, labor actions, slow deliveries, equipment shortages and similar factors.

If you fail to open the Facial Shop by the Control Date, we can terminate the Franchise Agreement. If you have entered into a Development Agreement to open multiple Facial Shops, your Development Agreement will include a Development Schedule containing a deadline by which each Facial Shop must be open and operating. If you fail to develop each Facial Shop by its corresponding deadline, we may terminate the Development Agreement.

## **ITEM 12 TERRITORY**

### **Franchise Agreement**

You will operate the Facial Shop at a location that we have accepted, and may relocate the Facial Shop only with our prior written consent. We will consent to relocation if your lease expires or terminates through no fault of yours, or if the Facial Shop premises is destroyed or materially damaged by fire, flood, or other natural catastrophe, and you are not in default of the Franchise Agreement or any other agreement with us or our affiliates.

You will select a Facial Shop location, which we accept, from within your designated "Site Selection Area," identified in Attachment B. When the Facial Shop location is identified, we will apply a "Protected Area," which will also be identified in Attachment B to the Franchise Agreement. Except as described below, the Protected Area will consist of an area, typically a circle, surrounding your premises containing a population of up to 75,000 individuals, and will not exceed a maximum diameter of six miles (or a three-mile radius).

During the franchise term, we will not own or operate, or grant anyone else the right to operate, a Facial Shop under the trademark SKOAH® within the Protected Area. Excepted out from the Protected Area will be venues within the Protected Area that we consider "Closed Markets." These include any facility serving a captive market, including hotels, resorts, airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which facial services rights are, or may reasonably be anticipated to be, contracted to a third party or parties. As long as you meet the eligibility requirements for the Closed Market location and are not in default under any agreements with us, we agree to offer you a 30-day right of first refusal for any Closed Market locations that are located within your Protected Area prior to developing the location ourselves or offering them to a third party. Your Franchise Agreement grants you the right to sell products and services only at your Facial Shop location. Therefore, so long as your customers come to your Facial Shop location for the purchase of products and services, you will not be restricted from soliciting sales or accepting orders within or outside of the Territory, and neither we nor other franchisees must pay any compensation to you for soliciting or accepting orders within your Territory. The Franchise Agreement does not grant you any right to distribute SKOAH® brand products through wholesale channels, such as mail order, catalog sales, or Internet sales whether within or outside of your Territory. Unless granted to you under our Development Agreement, you do not have any options, rights of first refusal or other rights to acquire additional franchises. Neither we nor our affiliates have any current plans to operate a franchised business under a different trademark that will sell goods or services that are the same as or similar to those offered by Facial Shops.

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.

Customer Restrictions. There are no limits on the area in which you or we may solicit customers, except that you may not solicit, accept orders, or sell goods to the extent limited by any multi-area marketing program, or by our reservation of rights contained in the franchise agreement. All Internet marketing is a part of multi-area marketing programs, and you may not market independently on the Internet, conduct e-commerce, or acquire a domain name or website, unless approved by us in writing, and under our conditions

and format. Skoah Inc., will share with you 15% of the net revenue (net of expenses including: taxes, returns, discounts, promotions, unrecovered shipping charges equal to 10% of MSRP) they receive from Internet sales of SKOAH® products to customers who have a shipping address in your Territory. The program is subject to change in accordance with our guidelines outlined in our operations manual and we may discontinue such revenue sharing program at any time.

### Development Agreement

If you enter into a Development Agreement, we will define a Site Selection Area within which you will have the right to locate and secure the accepted Premises for each Facial Shop you must open under your Development Schedule. The size of the Site Selection Area will likely vary among new prospects and developers, with the size of your Site Selection Area typically depending on the demographics of the area in and around the region you wish to develop.

We typically identify your Site Selection Area early during the franchise due diligence and offer process, based on where you tell us you wish to operate, and the agreed-to geographic description is inserted into your Development Agreement before you sign it. The Site Selection Area may not be modified at any time during the term of the Development Agreement unless the parties mutually agree to the modification in a separate signed writing. Typically, your Site Selection Area will be all or part of an MSA.

If you are in full compliance with your Development Agreement and any existing Franchise Agreement you have entered into with us, then we will grant you the right to open the number of SKOAH® franchises you agreed to open as part of your Development Schedule within your Site Selection Area. We do require that you locate, review, and secure these locations using our approved supplier for site selection services. Your rights within the Site Selection Area are non-exclusive but are representative of the inventory of licenses we award within a given Site Selection Area. Site Selection is not prioritized by franchisee tenure, size or sales but is subject to our system standards. We reserve the right to alter inventory at any time in response to market conditions. You do not receive an exclusive territory under your Development Agreement. You may face competition from other franchisees, from outlets that we control, or from other channels of distribution or competitive brands that we control.

Once you have secured a Premises for a given Facial Shop to be developed per your Development Agreement, we will grant you a Protected Area around that Facial Shop as described above.

### Development Schedule

Your Development Schedule will depend on the number of units you acquire the rights to develop in your Development Agreement. If you enter into an agreement granting you the rights to develop three units, your Development Schedule will be as follows:

| <b>Expiration of Development Period<br/>(each, a “Development Period”)</b> | <b>No. of New Facial Shops<br/>Opened Within<br/>Development Period</b> | <b>Cumulative No. of Facial<br/>Shops that Must Be Open<br/>and Operating</b> |
|----------------------------------------------------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| 12 Months from Effective Date                                              | 1                                                                       | 1                                                                             |
| Months 13 through 36 of the<br>Development Agreement                       | 1                                                                       | 2                                                                             |

|                                                  |   |   |
|--------------------------------------------------|---|---|
| Months 37through 48 of the Development Agreement | 1 | 3 |
|--------------------------------------------------|---|---|

### Other Disclosures

We reserve to ourselves all other rights, including the right: (a) own and operate and to grant others the right to own and operate Facial Shops outside the Protected Area, regardless of their proximity to the Protected Area, but will make reasonable efforts to responsibly approve sites based on experience and data; (b) to own and operate and grant others the right to own and operate SKOAH® Facial Shops, and license the use of the Marks and System, in "Closed Markets" within and outside the Protected Area; and (c) the right to distribute products and services, whether identified by the Proprietary Marks, such as Private Label Products, or under different trademarks, within and outside of your Protected Area through alternative channels of distribution including mail order, catalog sales, department stores, retail stores, supermarkets, and/or Internet sales. We are not required to compensate you if we exercise any of the rights specified above inside your Protected Area.

Except for the Protected Area granted in your Franchise Agreement, we do not grant any rights of first refusal to obtain additional franchise rights or specific sites. If you wish to develop additional Facial Shops you must enter into a new Franchise Agreement and meet all our current requirements for franchisees. There are no circumstances that permit us to modify your Protected Area, nor do we require that you meet a minimum sales quota.

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Facial Shops, other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights. Regardless, each Facial Shop you are granted the right to open and operate must be governed by its own specific executed Franchise Agreement.

Other than the rights granted under our Development Agreement or Franchise Agreement, we do not grant you any other option or rights of first refusal to acquire additional development areas.

## **ITEM 13 TRADEMARKS**

We grant you a limited, non-exclusive license to use principal trademarks and other trademarks in connection with the operation of your franchised business only at your premises and within your Protected Area, provided you use these trademarks as outlined in the franchise agreement and our manual. By trademark we mean trade names, trademarks, service marks, logos, trade dress, and other commercial symbols used to identify the business. Skoah, Inc. owns and licenses to us, and grants us the right to sub-license to you the trademarks SKOAH®, PERSONAL TRAINING FOR YOUR SKIN®, and SIMPLY POWERFUL SKIN CARE®, GET YOUR GLOW® and other future trademarks. Our primary trademarks are registered with the U.S. Patent and Trademark Office ("PTO") on the Principal Register, as described below. Skoah, Inc. also claims common law rights in the trademarks based on its, our, and our affiliates' prior usage. You may not use any of our trademarks as part of your business entity name, or your Internet domain name or any similar Internet identifier or account name, or on any employee forms. We control all Internet access, marketing, and usage related to the franchised business.

| <b>Mark</b>                     | <b>Registration Number</b>             | <b>Registration Date</b>                      | <b>Principal or Supplemental Register of the PTO</b> | <b>Status/Renewal/ Affidavits</b> |
|---------------------------------|----------------------------------------|-----------------------------------------------|------------------------------------------------------|-----------------------------------|
| SKOAH                           | 2945775<br>(Classes 3, 44)             | May 3, 2005, as renewed<br>February 6, 2015   | Principal                                            | Registration Renewed              |
| PERSONAL TRAINING FOR YOUR SKIN | 3753534<br>(Classes 3, 44)             | March 2, 2010, as renewed<br>October 19, 2020 | Principal                                            | Registration Renewed              |
| SIMPLY POWERFUL SKIN CARE       | 4301796<br>(Classes 3, 5)              | March 12, 2013                                | Principal                                            | Registered                        |
| GET YOUR GLOW                   | 6136505<br>(Classes 3, 25, 35, and 44) | August 25, 2020                               | Principal                                            | Registered                        |

All required affidavits have been filed. There are no currently effective material determinations of the PTO, the Trademark Trial and Appeal Board, the trademark administrator of any state where this disclosure document is required, or any court, or any pending infringements, opposition, or cancellation proceeding or any pending material litigation involving our principal trademarks. Franchisor intends to work with licensor to renew the registration at the times required by law.

There are no agreements currently in effect that significantly limit our rights to use or license the use of our trademarks in a manner material to the franchise, except for the Trademark License Agreement between Skoah, Inc. and us dated as of January 31, 2021 which grants us the non-exclusive right to use and sublicense the use of the trademarks in the United States. The Trademark License Agreement is for an 80-year term, and will remain in effect unless terminated for cause. If the Trademark License Agreement is terminated, you may be required to stop using these trademarks.

You must notify us immediately of any infringement of, or challenge to, your use of our trademarks. We are not obligated by the franchise agreement to protect your rights to use these trademarks or to participate in your defense or indemnify you for expenses or damages if you are a party to an administrative or judicial proceeding involving our trademark or if the proceeding is resolved unfavorably to you, but may defend, prosecute or settle these claims or litigation. You must modify or discontinue the use of any trademarks or use one or more substitute trademarks if we request you to. Our only obligation will be to reimburse you for the tangible costs of new signage and stationary. You may not contest our ownership, title, right or interest in our trademarks that are part of the business. Upon termination of the franchise agreement for any reason, you must cease using these trademarks in any manner.

We are not aware of any superior prior rights or infringing uses that could materially affect your use of the principal trademarks in the state where the franchised business is to be located.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

There are no patents or registered copyrights material to the franchise. However, we claim copyright protection in the Manual, the design elements of our marks, our product packaging, advertising and promotional materials, and the content and design of our website (the “Copyrighted Works”).

There is no presently effective determination of the U.S. Copyright Office (Library of Congress) or any court affecting our copyrights. There is no currently effective agreement that limits our right to use and/or license our copyrights. We have no obligation to protect any rights you have to use the copyrights. We have no actual knowledge of any infringements that could materially affect the ownership, use, or licensing of the copyrights. You may not use any of our Copyrighted Works on the Internet without our written permission. This includes display of the Copyrighted Works on commercial websites, gaming websites, and social networking websites.

You and your employees must maintain the confidentiality of all information contained in the Manual and other information that we consider confidential, proprietary, or trade secret information. Confidential Information means all trade secrets, and other elements of the System; all customer information; all information contained in the Manuals; and standards and specifications for services and products offered; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Facial Shop which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, any training we provide, and all other information that we designate (collectively, “Confidential Information”). You must implement any reasonable procedures we may adopt to protect our Confidential Information including restrictions on disclosures to your employees and requiring employees who will have access to our Confidential Information to sign employment agreements containing non-disclosure and non-competition provisions.

You may not contest our exclusive ownership of the copyrights, trade secrets, processes, methods, procedures, formulae, techniques and other proprietary information to which we claim exclusive rights.

If you or your employees or owners develop any new concept, process or improvement in the operation or promotion of your Facial Shop, you must promptly notify us and give us all necessary information about the new process or improvement, without compensation. You and your owners agree that any of these concepts, processes, or improvements will become our property, and we may use or disclose them to other franchisees, as we determine appropriate.

#### **ITEM 15**

#### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

If the franchisee is a business entity, at least one Owner must oversee the general operations and business activities of the Facial Shop. You must also designate a General Manager, who may, but is not required to be, an Owner, who oversees the day-to-day operations of the Facial Shop and devotes his or her full time energy and best efforts towards the management, operation, promotion, and growth of the business. The designated Owner and General Manager may be the same individual. At least one of your Owners and the General Manager (if the General Manager is not an Owner) must successfully complete our initial training program.

The General Manager may not engage in any other business or activity that requires substantial management responsibility or time commitment. If your General Manager ceases to serve in, or no longer qualifies for the position, you must designate a new General Manager within 30 days. Each replacement General Manager must successfully complete our initial training program before assuming responsibility.

If the franchisee is a business entity, each Owner identified in Attachment C to the Franchise Agreement must sign a Personal Guaranty and Undertaking substantially in the form attached as Attachment D-1 to the Franchise Agreement. Any individual who attends our initial training program, including your General

Manager, must sign a confidentiality and non-competition agreement substantially in the form attached as Attachment D-2 to the Franchise Agreement.

The term “Owner” means each individual or entity holding a direct or indirect beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

#### **ITEM 16**

#### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Except as described below, you must offer and sell all only products and services that we require, and only the products and services that we have approved. We may add, eliminate and change products and service items periodically, and you must comply with all directives (which may require purchasing and installing additional equipment). There are no limits on our right to make changes. We may, on occasion, require you to test market products and/or services at your Facial Shop. You must cooperate with us in conducting these test marketing programs and must comply with all rules and regulations that we establish.

All sales must be for retail consumption only and you may not engage in wholesale sales of any kind through any channels of distribution without our prior consent. You may not sell Proprietary Products through any means of distribution other than from the Facial Shop at the Franchised Location unless we expressly authorize in writing. We have the right to establish maximum, minimum, or other retail pricing requirements to the extent permitted by law.

You may not operate any co-branding marketing system without our prior written consent, which may be withheld in our sole discretion. No vending, gaming machines, payphones, automatic teller machines, Internet kiosks or other mechanical or electrical devices are permitted in your Facial Shop.

#### **ITEM 17**

#### **RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

#### **THE FRANCHISE RELATIONSHIP**

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

#### Franchise Agreement

| <b>Provision</b>                    | <b>Section in Franchise or Other Agreements</b> | <b>Summary</b>                                                                                                                                         |
|-------------------------------------|-------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term     | Sections 2.1.                                   | The earlier of 10 years following the date you open the Facial Shop for business, or 11 years following the Effective Date of the Franchise Agreement. |
| b. Renewal or extension of the term | Section 2.2.                                    | If you are in good standing, you can renew for two additional consecutive 5-year terms.                                                                |

| Provision                                         | Section in Franchise or Other Agreements       | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------------------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| c. Requirements for franchisee to renew or extend | Sections 2.2.                                  | When the agreement period ends, you have an option of renewing the contract or discontinuing your franchise. A renewal shall mean entering into a new franchise agreement, which may contain materially different terms and conditions from the original franchise agreement. Your renewal right permits you to remain as a franchisee after the initial term of your Franchise Agreement expires. However, to remain a franchisee, you must meet all required conditions to renew, including signing our then-current form of franchise agreement, which may be materially different than the form attached to this disclosure document, and pay the renewal fee. Other requirements are: you must, no less than 180 days prior to the expiration date of the Franchise Agreement, provide us with your notice of intent to renew; not be in default under the Franchise Agreement; have complied with your material obligations during the Term; you have satisfied all monetary obligations owed to us, our affiliates, and third party suppliers; you must, at our request, renovate or modernize your Facial Shop to comply with our then-current standards; demonstrate that you have the right to remain in possession of the Facial Shop premises; comply with the then-current qualifications and training requirements; sign our then-current form of franchise agreement which may contain materially different terms from your previous franchise agreement, including different Royalty Fee and Marketing Fee rates; you and your owners sign a general release; and you pay to us the required renewal fee. |
| d. Termination by franchisee                      | Not applicable                                 | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| e. Termination by franchisor without cause        | Not applicable                                 | Not applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| f. Termination by franchisor with cause           | Sections 13.1., 13.2., 13.3., 13.4., and 13.5. | We can terminate if you materially default under your Franchise Agreement, or any other agreement between you and us, or our affiliates. In the event of the death or permanent incapacity of an owner, we may terminate if you fail to adhere to the applicable transfer of ownership requirements. We may also terminate you if you become insolvent or file for bankruptcy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| g. "Cause" defined – curable defaults             | Sections 13.3., 13.4. and 13.5                 | You have 10 days to cure non-payment of fees, 30 days to cure non-compliance with laws, failure of quality assurance inspection, and defaults not listed in Section 13.2. You have six months to transfer the interest of an owner in the event of death or permanent incapacity.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

| Provision                                             | Section in Franchise or Other Agreements | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| h. “Cause” defined – non-curable defaults             | Sections 13.1. and 13.2.                 | Non curable defaults include: bankruptcy, foreclosure, insolvency, conviction of a felony, abandonment, unapproved transfers, repeated defaults (even if cured), misrepresentations in acquiring your license, health or safety violations, knowingly understating your Gross Revenues, knowingly maintaining false books or records, trademark misuse, failure to successfully complete training, failure to open a site by the Control Date, abandonment of the Facial Shop, failure to maintain the right to operate the Facial Shop, violation of confidentiality and/or non-competition covenants, offering unauthorized products or services, purchases from unapproved suppliers, fail to pass two or more quality assurance/health inspections and or participate in any advertising or marketing program within any rolling 12-month period. |
| i. Franchisee’s obligations on termination/nonrenewal | Article 14                               | You must cease use of our trademarks, de-identify, pay all amounts due to us, and return the Manuals to us. We may, at our option, assume all telephone numbers, telephone listings, and telephone directory advertisements for the Facial Shop. We may, at our option, assume your lease and purchase certain Facial Shop assets. You must, at our option, cancel or assign to us your rights to any Internet websites or web pages or e-mail addresses which contain our Proprietary Marks. (See also “r” below.)                                                                                                                                                                                                                                                                                                                                   |
| j. Assignment of contract by franchisor               | Section 12.1.                            | There are no restrictions on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| k. “Transfer” by franchisee – definition              | Sections 12.2., 12.3., and 12.4.         | Includes transfer of the franchise or change in ownership of the entity which owns it.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| l. Franchisor’s approval of transfer by franchisee    | Section 12.4.                            | Transfers require our prior written consent, which will not be unreasonably withheld.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| m. Conditions for franchisor’s approval of transfer   | Section 12.4.                            | You must notify the Franchisor of your Intent to Sell and complete the Intent to Sell paperwork reflecting financial obligations related to a transfer or sale. You must be in compliance with the Franchise Agreement and all other agreements with us or our affiliates; sign a general release; pay the transfer fee; and all of your monetary obligations to us, our affiliates, and your suppliers must be satisfied on or before the date of transfer. The new franchise owner must: meet our current qualifications; complete training; assume your obligations under the Franchise Agreement or, at our option, sign a new franchise Agreement in our then-current form (provided, that the term of the new Franchise Agreement will be the remaining term of the existing Franchise Agreement, unless additional terms are                   |

| Provision                                                                 | Section in Franchise or Other Agreements | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------|------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                           |                                          | purchased by transferee, not to exceed a total transferred initial term of 10 years); at our election, refurbish the Facial Shop; sign a guaranty and a general release; pay transfer fee; and, if applicable, the Extended Term Fee. Additional requirements apply to business entities. (See also “r” below.)                                                                                                                                                                                                                                                                                                                                                                                  |
| n. Franchisor’s right of first refusal to acquire franchisee’s business   | Section 12.8.                            | We can match any offer for your business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| o. Franchisor’s option to purchase franchisee’s business                  | Section 14.4.                            | Upon expiration or termination of your Franchise Agreement, we have the option to purchase some or all of your equipment, furnishings and fixtures at their then-current fair market value which will be determined by a qualified independent third party of our choosing.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| p. Death or disability of franchisee                                      | Section 12.9.                            | Same requirements as for transfer in “m” above, except there is no transfer fee and we do not have a right of first refusal. If your interest is not transferred within six months following your (or a major member, partner or shareholder’s) death or legal incapacity, your Franchise Agreement may be terminated.                                                                                                                                                                                                                                                                                                                                                                           |
| q. Non-competition covenants during the term of the franchise             | Section 15.1.                            | Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with any facial business at any location within the U.S., its territories or commonwealths, or any other country, province, state or geographic area in which we or our affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks; no diversion of any present or prospective customer of ours to a competitor; no solicitation of ours or any of our Affiliate’s management employees. |
| r. Non-competition covenants after the franchise is terminated or expires | Section 15.2.                            | Neither you nor your owners may own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in any facial business at your former Facial Shop location, or within a 20-mile radius of your former Facial Shop, or within a 20-mile radius of any other SKOAH® Facial Shop location for a period of two years following expiration, termination or transfer.                                                                                                                                                                                                                                                                                                   |
| s. Modification of the agreement                                          | Sections 18.1. and 18.2.                 | Must be in writing and signed by all parties                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Provision                                         | Section in Franchise or Other Agreements | Summary                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| t. Integration/merger clause                      | Sections 18.1. and 18.2.                 | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the franchise disclosure document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any other related written agreement is intended to disclaim representations made in the franchise disclosure document. |
| u. Dispute resolution by arbitration or mediation | Sections 19.2. and 19.3 <sup>1</sup>     | Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for collection actions or actions seeking injunctive or extraordinary relief. Disputes, other than those for collections or injunctive or extraordinary relief, will be resolved by arbitration.                                                                                                                 |
| v. Choice of forum                                | Sections 19.2 and 19.3 <sup>1</sup>      | Mediation and arbitration at the AAA offices in the city in which we maintain our principal place of business at the time the mediation is initiated. Venue for collection actions or actions for injunctive or extraordinary relief may be brought in any court of competent jurisdiction (subject to applicable state law).                                                                                           |
| w. Choice of law                                  | Section 19.1.                            | Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Michigan law (without giving effect to any conflict of law) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently.                 |

### Development Agreement

| Provision                                         | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------|----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term                   | Section 6.1                      | The term begins on the effective date and ends on the earlier of the date you open the last Facial Shop you are required to open under your Development Schedule or the expiration of your Development Schedule.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| b. Renewal or extension of the term               | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| c. Requirements for franchisee to renew or extend | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| d. Termination by franchisee                      | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| e. Termination by franchisor without cause        | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| f. Termination by franchisor with cause           | Section 6.2                      | We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| g. "Cause" defined – curable defaults             | Section 6.2                      | We may terminate the Development Agreement if you fail to meet your development obligations under the Development Agreement during the Development Period (including any monetary default) and you fail to cure such default within 30 days of receiving notice.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| h. "Cause" defined – non-curable defaults         | Section 6.2                      | We may terminate the Development Agreement if you cease to actively engage in development activities in the Site Selection Area or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Facial Shops within the Site Selection Area; you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you; and any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement. |
| i. Developer's obligations on termination/        | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Provision                                                                 | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| nonrenewal                                                                |                                  |                                                                                                                                                                                                                                                                                                                                                                                 |
| j. Assignment of contract by franchisor                                   | Section 8                        | We have the right to transfer or assign the Development Agreement and all or any part of our rights, duties or obligations to any person or legal entity without your consent.                                                                                                                                                                                                  |
| k. “Transfer” by developer – definition                                   | Section 8                        | Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement.                                                                                                                                                                                                                                                                          |
| l. Developer’s approval of transfer by developer                          | Section 8                        | You may not transfer any rights or obligations under the Development Agreement without our prior written consent.                                                                                                                                                                                                                                                               |
| m. Conditions for franchisor’s approval of transfer                       | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                  |
| n. Franchisor’s right of first refusal to acquire developer’s business    | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                  |
| o. Franchisor’s option to purchase developer’s business                   | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                  |
| p. Death or disability of developer                                       | Not Applicable                   | Not Applicable                                                                                                                                                                                                                                                                                                                                                                  |
| q. Non-competition covenants during the term of the franchise             | Not Applicable                   | Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.                                                                                                                                                                                                                                 |
| r. Non-competition covenants after the franchise is terminated or expires | Not Applicable                   | Nothing additional. Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement.                                                                                                                                                                                                                                 |
| s. Modification of the agreement                                          | Section 27                       | Your Development Agreement may not be modified, except by a writing signed by both parties.                                                                                                                                                                                                                                                                                     |
| t. Integration/merger clause                                              | Section 27                       | Only the terms of the Development Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and the Development Agreement may not be enforceable. Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure |

| Provision                                         | Section in Development Agreement | Summary                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------|----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                  | Document.                                                                                                                                                                                                                                                                                                                                                                                               |
| u. Dispute resolution by arbitration or mediation | Sections 12 and 13               | <p>Claims, controversies or disputes from or relating to the Franchise Agreement must be mediated, except for collection actions or actions seeking injunctive or extraordinary relief.</p> <p>Disputes, other than those for collections or injunctive or extraordinary relief, will be resolved by arbitration.</p>                                                                                   |
| v. Choice of forum                                | Section 15                       | <p>Mediation and arbitration at the AAA offices in the city in which we maintain our principal place of business at the time the mediation is initiated.</p> <p>Venue for collection actions or actions for injunctive or extraordinary relief may be brought in any court of competent jurisdiction (subject to applicable state law).</p>                                                             |
| w. Choice of law                                  | Section 11                       | Subject to applicable state law, the Franchise Agreement is to be interpreted and construed under Michigan law (without giving effect to any conflict of law) except that any law regulating the offer or sale of franchises, business opportunities or similar interests or governing the relationship between us and you will not apply unless its jurisdictional requirements are met independently. |

## ITEM 18 PUBLIC FIGURES

We do not currently use any public figure to promote the 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 Franchise 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 franchisor's

management by contacting David Taccolini, 106 E. Liberty St., Suite 310, Ann Arbor, MI 48104, (734) 430-0718, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary**  
**For Years 2019 to 2021**

| Outlet Type          | Year        | Outlets Operating<br>at the Start of the<br>Year | Outlets Operating<br>at the End of the<br>Year | Net Change |
|----------------------|-------------|--------------------------------------------------|------------------------------------------------|------------|
| Franchised           | 2019        | 0                                                | 1                                              | +1         |
|                      | 2020        | 1                                                | 1                                              | 0          |
|                      | 2021        | 1                                                | 2                                              | +1         |
| Company Owned        | 2019        | 0                                                | 0                                              | 0          |
|                      | 2020        | 0                                                | 0                                              | 0          |
|                      | 2021        | 0                                                | 0                                              | 0          |
| <b>Total Outlets</b> | 2019        | 0                                                | 1                                              | +1         |
|                      | 2020        | 1                                                | 1                                              | 0          |
|                      | <b>2021</b> | <b>1</b>                                         | <b>2</b>                                       | <b>+1</b>  |

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For Years 2019 to 2021**

| State         | Year        | Number of Transfers |
|---------------|-------------|---------------------|
| <b>Totals</b> | 2019        | 0                   |
|               | 2020        | 0                   |
|               | <b>2021</b> | <b>0</b>            |

**Table No. 3**  
**Status of Franchised Outlets**  
**For Years 2019 to 2021**

| State        | Year        | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of the Year |
|--------------|-------------|--------------------------|----------------|--------------|--------------|--------------------------|---------------------------------|----------------------------|
| TN           | 2019        | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|              | 2020        | 0                        | 0              | 0            | 0            | 0                        | 0                               | 0                          |
|              | 2021        | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
| TX           | 2019        | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
|              | 2020        | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
|              | 2021        | 1                        | 0              | 0            | 0            | 0                        | 0                               | 1                          |
| <b>Total</b> | 2019        | 0                        | 1              | 0            | 0            | 0                        | 0                               | 1                          |
|              | 2020        | 1                        | 0              | 0            | 0            | 0                        | 1                               | 1                          |
|              | <b>2021</b> | <b>1</b>                 | <b>1</b>       | <b>0</b>     | <b>0</b>     | <b>0</b>                 | <b>0</b>                        | <b>2</b>                   |

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For Years 2019 to 2021**

| State | Year        | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisees | Outlets Closed | Outlets Sold to Franchisees | Outlets at End of the Year |
|-------|-------------|--------------------------|----------------|-------------------------------------|----------------|-----------------------------|----------------------------|
| Total | 2019        | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |
|       | 2020        | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |
|       | <b>2021</b> | 0                        | 0              | 0                                   | 0              | 0                           | 0                          |

**Table No. 5**  
**Projected Openings**  
**As of December 31, 2021**

| 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 |
|---------------|---------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| MI            | 0                                                 | 0                                                        | 0                                                           |
| TN            | 0                                                 | 0                                                        | 0                                                           |
| <b>Totals</b> | <b>0</b>                                          | <b>0</b>                                                 | <b>0</b>                                                    |

The list of the names and addresses of our current franchisees is located in Exhibit G. Any franchisee who has 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 Franchise Disclosure Document is listed in Exhibit G. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In some instances, former franchisees signed provisions restricting their ability to speak openly about their experience with us. You may wish to speak with former franchisees, but be aware that not all such franchisees will be able to communicate with you. There are no franchisee organizations sponsored or endorsed by us and no independent franchisee organizations have asked to be included in this disclosure document.

## ITEM 21 FINANCIAL STATEMENTS

Attached to this Franchise Disclosure Document as Exhibit F are:

1. SKOAH's unaudited balance sheet as of August 31, 2022 and SKOAH's unaudited statement of income for the period beginning January 1, 2022 through August 31, 2022.; and
2. SKOAH's audited balance sheets as of December 31, 2021, December 31, 2020, and December 31, 2019, and the related statements of income, retained earnings, and of cash flow for the years then ended.

Our fiscal year end is December 31.

## ITEM 22 CONTRACTS

Attached as Exhibit B is our current form of Franchise Agreement with the following Attachments:

|              |                                                                                    |
|--------------|------------------------------------------------------------------------------------|
| Attachment A | Glossary of Additional Terms                                                       |
| Attachment B | The Site Selection Area, Control Date, Franchised Location, and the Protected Area |

|                |                                               |
|----------------|-----------------------------------------------|
| Attachment C   | Entity Information                            |
| Attachment D-1 | Personal Guaranty and Undertaking             |
| Attachment D-2 | Confidentiality and Non-competition Agreement |
| Attachment E   | ACH Authorization                             |
| Attachment F   | Lease Addendum                                |
| Attachment G   | Telephone Number Assignment Agreement         |
| Attachment H   | Franchisee Questionnaire                      |

Attached as Exhibit C is our current form of Development Agreement with the following Attachments:

|              |                                   |
|--------------|-----------------------------------|
| Attachment A | Data Sheets                       |
| Attachment B | Personal Guaranty and Undertaking |

Attached as Exhibit D is our current form of General Release (Sample Form Only).

### **ITEM 23 RECEIPTS**

Two copies of a receipt of this disclosure document appear as Exhibit J. Please return one copy to us and retain the other for your records.

**EXHIBIT A**

**STATE APPENDIX TO DISCLOSURE DOCUMENT**

## **SKOAH FRANCHISE LLC**

### **STATE APPENDIX TO DISCLOSURE DOCUMENT**

#### ***FOR THE STATE OF CALIFORNIA***

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

The California Corporations Code, Section 31125, requires that we give you a disclosure document, approved by the Department of Financial Protection and Innovation, prior to solicitation of a proposed material modification of your Franchise Agreement.

Item 3 of the Disclosure Document is supplemented by the following:

Neither the franchisor nor any person identified in Item 2 of the Disclosure Document is subject to any current effective order of any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934, U.S.C.A., 78a *et. seq.*, suspending or expelling such persons from membership in such association or exchange.

Item 5 of the Disclosure Document is supplemented by the following:

The Department has determined that we, the franchisor, have not demonstrated we are adequately capitalized and/or that we must rely on franchise fees to fund our operations. The Commissioner has imposed a fee deferral condition, which requires that we defer the collection of all initial fees from California franchisees until we have completed all of our pre-opening obligations and you are open for business. For California franchisees who sign a development agreement, the payment of the development and initial fees attributable to a specific unit in your development schedule is deferred until that unit is open.

Item 15 of the Disclosure Document is supplemented by the following:

Each owner of the franchise is required to execute a personal guaranty. Doing so could jeopardize the marital assets of non-owner spouses domiciled in community property states such as California.

Item 17 of the Disclosure Document is supplemented by the following:

California Business and Professions Code, Section 20000 through 20043 provides rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

You must sign a release if you renew or transfer your franchise. California Corporations Code 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).

The Franchise Agreement contains covenants not to compete that extend beyond expiration or termination of the agreement. This provision may not be enforceable under California law.

The Franchise Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.

The Franchise Agreement requires binding arbitration. The arbitration will occur in the county where Franchisor maintains its principal business address at the time of arbitration and each party to the arbitration is responsible for their own costs and expenses of arbitration, including legal and filing fees. 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.

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

The Franchise Agreement provides for a prohibition on the solicitation of employment of employees from other franchised locations. This provision may not be enforceable under California Law.

The indemnification provision in the Franchise Agreement may not be fully enforceable as to punitive damages under California law.

The Franchise Agreement and Development Agreement contain a provision requiring you to waive your right to punitive or exemplary damages against the Franchisor or any of its representatives, limiting your recovery to actual damages. Under California Corporations Code section 31512, these provisions are not enforceable in California for any claims you may have under the California Franchise Investment Law.

OUR WEBSITE CAN BE FOUND AT [WWW.SKOAHFACIALS.COM](http://WWW.SKOAHFACIALS.COM). OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

**The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

#### ***FOR THE STATE OF ILLINOIS***

1. Item 5 is supplemented by the following:

Based on our current financial condition, the Illinois Attorney General's Office, has required that we post a surety bond or defer all initial fees until such time as we have completed our initial obligations to you and your first Franchised Business is open for business.

2. Item 17 is supplemented by the following:

Section 705/4 of the Illinois Franchise Disclosure Act of 1987 ("Act") provides that any provision in the Franchise Agreement which designates venue outside of Illinois is void with respect to any cause of action which is otherwise enforceable in Illinois; however, the Agreement may provide for arbitration in a forum outside of Illinois.

Notwithstanding the provisions of the Franchise Agreement that Michigan law shall govern, Illinois law shall apply to and govern any claim between the parties under the Franchise Agreement that alleges violation of the Act.

The conditions under which your franchise can be terminated and your rights on renewal may be affected by Illinois law, 815 ILCS 705/19 and 705/20.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

#### ***FOR THE STATE OF INDIANA***

1. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Indiana Deceptive Franchise Practices Law (Indiana Code 23-2-2.7 et seq.) in general governs the relationship between the franchisor and the franchisee by forbidding certain provisions in the Franchise Agreement and related documents and by preventing the franchisor from engaging in certain acts and practices which could be considered coercive or oppressive to the master licensee. If any of the provisions of the Franchise Agreement conflict with this law, this law will control.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement or transfer, does not release any claim you may have under the Indiana Deceptive Franchise Practices Law.

The Franchise Agreement provides that suit may be brought in Michigan. These provisions may not be enforceable under Indiana law.

Indiana franchise laws will govern the Franchise Agreement and any and all other related documents.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to these Additional Disclosures. The Additional Disclosures shall have no force or effect if such jurisdictional requirements are not met.

#### ***FOR THE STATE OF MARYLAND***

1. Item 5, Additional Disclosures. The following statement is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 11, Additional Disclosures. The following statements are added to Item 11.

Within 90 days of the end of each fiscal year, you may request an accounting of advertising

expenditures for the preceding fiscal year.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 19, Additional Disclosures. The following statement is added to Item 19:

We have not made, and do not intend to make, changes to our business model to adapt the business to consumer demands post-COVID-19.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

#### ***FOR THE STATE OF MINNESOTA***

1. Other Fees. The following statement is added to Item 6:

Minnesota Statute 604.113 limits the charge for Nonpayment Due to “Insufficient Funds” to \$30.

2. Trademarks. The following statement is added to Item 13:

Notwithstanding the foregoing, we will indemnify you against liability to a third party resulting from claims that your use of a Mark infringes trademark rights of a third party; provided, that we will not indemnify against the consequences of your use of the Marks unless the use is in accordance with the requirements of the Franchise Agreement and the System.

3. Choice of Forum and Law/Jury Trial. The following statement is added to Item 17:

Minnesota Statute § 80C.21 and Minnesota Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring you to consent to liquidated damages, termination, penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or Franchise Agreement can abrogate or reduce (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

4. General Release. The following statement is added to Item 17:

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment,

novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 – 80C.22.

5. Notice of Termination/Transfer. The following statement is added to Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute § 80C.14, subdivisions 3, 4, and 5 which requires (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

6. Injunctive Relief. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minnesota Rules 2860.4400J.

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota franchise statutes are met independently without reference to these Additional Disclosures.

### **FOR THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document :

INFORMATION COMPARING FRANCHISOR IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT H OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10-year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil

action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled “Requirements for franchisee to renew or extend,” and Item 17(m), entitled “Conditions for franchisor approval of transfer”:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled “Termination by franchisee”: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled “Choice of forum”, and Item 17(w), titled “Choice of law”:

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York

#### ***FOR THE STATE OF RHODE ISLAND***

1. Item 17, Additional Disclosure. The following statement is added to Item 17:

Section 19-28.1-14 of the Rhode Island Franchise Investment Act provides that: “A provision in a Franchise Agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act.”

The provision of this Additional Disclosure shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Law are met independently without reference to these Additional Disclosures.

## **FOR THE COMMONWEALTH OF VIRGINIA**

1. Item 5 is supplemented by the following:

The Virginia State Corporation Commission's Division of Securities and Retail Franchising requires us to defer payment of the initial franchise fee and other initial payments owed by franchisees to the franchisor until the franchisor has completed its pre-opening obligations under the franchise agreement and the Facial Shop opens for business. This financial assurance requirement also requires that we defer your obligation to pay the Development Fee due under the Development Agreement until we have completed all of our pre-opening obligations to you under the first franchise agreement you execute in connection with the development agreement, and you have opened the first Facial Shop for business.

2. Item 7 is supplemented by the following:

Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$322,427 to \$537,260. This amount exceeds the franchisor's stockholders' negative equity as of December 31, 2021, which is (\$193,228).

3. In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, Item 17.h. of the Franchise Disclosure Document for Skoah Franchise, LLC for use in the Commonwealth of Virginia shall be amended as follows:

"Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable."

## **FOR THE STATE OF WASHINGTON**

1. If any of the provisions in the Franchise Agreement are inconsistent with the relationship provisions of RCW 19.100.180 or other requirements of the Washington Franchise Investment Protection Act ("Act"), the provisions of the Act will prevail over the inconsistent provisions of the Franchise Agreement with regard to any franchise sold in Washington.

2. Item 5 of the Disclosure Document is supplemented by the following:

Based on our current financial condition, the Washington Department of Financial Institutions Securities Division has imposed a financial assurance requirement. To comply with this requirement, we will defer your obligation to pay the Initial Franchise Fee due to us under the Franchise Agreement until we have completed all of our pre-opening obligations to you, and you have commenced doing business. This financial assurance requirement also requires that payment of the Development Fee will be released proportionally with respect to each SKOAH® Facial Shop

opened and is deferred until we have met all our pre-opening obligations under the Development Agreement, and you are open for business with respect to each such location.

3. Item 6 is supplemented by the following:

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

4. Item 17 is supplemented by the following:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**SKOAH FRANCHISE, LLC**

**FRANCHISE AGREEMENT**

## FRANCHISE AGREEMENT

### SUMMARY PAGES

**EFFECTIVE DATE:** \_\_\_\_\_

**FRANCHISEE:** \_\_\_\_\_

**FRANCHISEE'S**

**ADDRESS FOR NOTICES:** \_\_\_\_\_

\_\_\_\_\_

**TELEPHONE NUMBER:** \_\_\_\_\_

**FACSIMILE NUMBER:** \_\_\_\_\_

**E-MAIL ADDRESS:** \_\_\_\_\_

**FRANCHISE LOCATION:** \_\_\_\_\_

**CONTROL DATE:** The first anniversary of the Effective Date

**INITIAL FRANCHISE FEE:** ☐ \$49,500, payable on execution of this Franchise Agreement

☐ \$47,000 for VetFran qualifying franchisees, payable on execution of this Franchise Agreement

☐ \$39,750, credited from the Development Fee paid to Franchisor pursuant to the Development Agreement

☐ \$33,166.67, credited from the Development Fee paid to Franchisor pursuant to the Development Agreement

**MARKETING FEE:** 2% of Gross Revenue per month

**LOCAL ADVERTISING REQUIREMENT:** \$2,000 per month during the Facial Shop's first 12 full months of operation; Afterwards, \$1,500 minimum per month (refer to Section 9.4. of this Agreement)

**ROYALTY FEE:** 6% of Gross Revenue collect on any such recurring date that we specify; after the first anniversary of the Control Date, a minimum Royalty of \$250 per week shall apply.

\_\_\_\_\_  
Franchisor Initials

\_\_\_\_\_  
Franchisee Initials

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>INITIAL TRAINING FEE:</b>                  | \$7,500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>TECHNOLOGY FEE:</b>                        | Currently, \$175 per month subject to increase.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>RENEWAL FEE:</b>                           | \$3,000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>TRANSFER FEE:</b>                          | <p>Reimbursement of Franchisor's related costs and expenditures for transfers made for convenience of operation (refer to Section 12.2 of this Agreement)</p> <p>\$2,500 for assignments of non-controlling interest (refer to Section 12.3. of this Agreement), provided, however, that if Franchisor determines any new Owners must undergo training, Franchisor may charge a reasonable tuition for such training and Franchisee agrees to cover all related travel, lodging, and dining costs.</p> <p>\$5,000, plus reimbursement of Franchisor's costs in facilitating the transfer (including reasonable attorneys' fees) for assignments transferring controlling interest (refer to Section 12.4. of this Agreement)</p> |
| <b>EXTENDED TERM FEE:<br/>(TRANSFER ONLY)</b> | \$1,000 per year added (not to exceed a total initial term of 10 years)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>FRANCHISOR</b>                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>ADDRESS FOR NOTICES:</b>                   | <p>Skoah Franchise, LLC<br/> 106 E. Liberty, Suite 310<br/> Ann Arbor, MI 48108<br/> Fax: 734-808-0066<br/> Attention: Franchise Administration</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

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Franchisor Initials

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Franchisee Initials

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**  
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## SKOAH FRANCHISE, LLC

### FRANCHISE AGREEMENT

**THIS FRANCHISE AGREEMENT** (the “**Agreement**”) is made and entered into as of the Effective Date reflected in the Summary Pages (the “**Effective Date**”) by and between Skoah Franchise, LLC, a Delaware limited liability, (“**Franchisor**”), and the franchisee identified in the Summary Pages (referred to in this Agreement as “**you**” or “**Franchisee**”).

A. Franchisor has the right to use and to sublicense the use of an upscale facial shop (“**Facial Shop**”) relating to the establishment, development and operation of a business that provides skin care services (primarily facials), skin and body care products, cosmetics, and related products and services to both the general public and through a membership-based program under the trade name and trademark SKOAH® (the “**System**”).

B. The distinguishing characteristics of the System include, without limitation, the combination of services provided, including facial services; private label cosmetics and skin care products which incorporate Franchisor’s trade secrets and proprietary information (the “**Proprietary Products**”); distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. The System is identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**SKOAH**” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the “**Proprietary Marks**”).

D. You desire to enter into the business of operating a services facial shop under the System and Proprietary Marks (the “**Facial Shop**” or “**Franchised Business**”) and Franchisor desires to grant you such rights, all pursuant to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration for the mutual premises contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

#### 1. GRANT

##### 1.1. Grant.

1.1.1. Franchisor grants to you the right to use the System and Proprietary Marks solely in connection with the operation of the SKOAH® Franchised Business, and you accept the right and undertake the obligation, all according to the terms and conditions contained in this Agreement.

1.1.2. This franchise includes only the right **(a)** to use the System and Proprietary Marks in connection with the retail sale of authorized products and services at the Facial Shop location identified or to be identified in Attachment B (“**Franchised Location**”); and **(b)** to use the Proprietary Marks to advertise and promote the Facial Shop.

1.1.3. This Agreement specifically grants you no right, among others, to **(a)** sublicense the use of the System or Proprietary Marks, **(b)** to Co-brand with another concept, or **(c)** to deliver or ship SKOAH®

products, regardless of the destination, without Franchisor's prior written consent; or **(d)** to distribute SKOAH® products through wholesale channels, such as mail order, catalog sales, or Internet sales.

1.2. Protected Area. When the physical Facial Shop location is identified and a lease is approved, we will determine and assign a "Protected Area." This "Protected Area" will subsequently be identified and memorialized in Attachment B to the Franchise Agreement. Except as described below, the Protected Area will consist of an area, typically a circle, surrounding your premises containing a population of up to 75,000 individuals, and will not exceed a maximum diameter of six miles (or a radius of three-mile). During the term of this Agreement, and except for sales in "**Closed Markets**" (which are carved out from territorial protection, as described in Attachment B) Franchisor shall not **(a)** own or operate, or grant anyone else the right to operate, a Facial Shop or **(b)** sell or license anyone the right to sell products and services under "SKOAH" trademark within the Protected Area identified in Attachment B.

1.2.1 So long as you meet the eligibility requirements for a Closed Market location to be developed in your Protected Area, as communicated to Franchisor by the party seeking a tenant for the Closed Market location, and you are not in default under any agreements with Franchisor or its Affiliates, Franchisor will offer to you a right of first refusal to develop the proposed Closed Market Facial Shop location in accordance with the terms of this Section. Franchisor will provide written notice to you of the Closed Market Facial Shop location available and any material terms the Franchisor is aware at the time written notice is provided (the "**ROFR Notice**"). If you elect to exercise your right of first refusal and to develop a Facial Shop at the proposed Closed Market location, then within 30 days of your receipt of the ROFR Notice you must: 1) notify the Franchisor of your election to exercise your right of first as outlined in the ROFR Notice; 2) provide to Franchisor a receipt page for their current franchise disclosure document; and 3) fully execute Franchisor's then-current form of franchise agreement and pay to Franchisor all of the initial fees thereunder. If you notify the Franchisor at any time after your receipt of the ROFR Notice that you elect not to exercise your right of first refusal, or if all of the requirements to exercise the right of first refusal are not complete, you will be deemed to have rejected your right of first refusal and the Franchisor may offer the opportunity to another third party or develop the location itself or through an Affiliate without any liability or further obligation to you. If you are a party to a development agreement with Franchisor, you may elect to have the Closed Market Facial Shop count towards your Development Schedule.

1.3. Reservation of Rights. Franchisor reserves to itself all other rights in and to use the Proprietary Marks including **(a)** the right to own and operate and to grant others the right to own and operate Facial Shops outside the Protected Area, regardless of their proximity to the Protected Area; **(b)** to own and operate SKOAH® Facial Shops and license the use of the Marks and System or grant others the right to own and operate SKOAH® Facial Shops in Closed Markets within and outside the Protected Area; and **(c)** the right to distribute products and services, whether identified by the Proprietary Marks, such as Private Label Products, or under different trademarks, within and outside of your Protected Area through alternative channels of distribution including mail order, catalog sales, department stores, retail stores, supermarkets, and/or Internet sales.

1.4. Right to Operate Businesses Under Different Proprietary Marks. Nothing in this Agreement prohibits or restricts Franchisor from **(a)** owning, acquiring, establishing, operating, or granting franchise rights for one or more other businesses under a different trademark or service mark (*i.e.*, a mark other than SKOAH® whether or not the business is the same as or competitive with SKOAH® Facial Shops; or **(b)** owning, operating, or franchising one or more businesses offering similar products or services under the name SKOAH or some derivative of the Proprietary Marks.

## 2. TERM

2.1. Term. The term of this Agreement shall begin on the Effective Date and shall expire, unless earlier terminated, on the 10<sup>th</sup> anniversary of the Facial Shop opening, but no later than 11 years from the Effective Date, regardless of the date on which the Facial Shop opens to the public for business.

2.2. Successor Terms. You may renew the franchise granted by this Agreement for two consecutive five-year terms if, at the end of the initial term, each of the following conditions has been satisfied:

2.2.1. You have notified Franchisor of your intent to renew the franchise no less than 180 days and no more than 12 months prior to expiration of the then-current term;

2.2.2. You are not in default of any material provision of this Agreement, and you have complied with the materials terms and conditions of this Agreement throughout the term;

2.2.3. You have satisfied all monetary obligations owed to Franchisor, its Affiliates and third party suppliers;

2.2.4. You have renovated and refurbished the Facial Shop premises so that they reflect Franchisor's then-current image, trade dress, equipment, and furnishings requirements;

2.2.5. You have demonstrated to Franchisor's satisfaction that you have the right to remain in possession of the Facial Shop premises, or you have secured an alternate site with Franchisor's prior approval;

2.2.6. You comply with the then-current qualifications and training requirements;

2.2.7. You sign Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement, and each Owner executes a personal guaranty and undertaking in the form Franchisor prescribes;

2.2.8. You and each Owner sign a general and full release in favor of Franchisor and its Affiliates, and their respective, officers, directors, shareholders, members, managers, employees, and agents, of any claims arising out of or related to the franchise relationship including the offer and sale of SKOAH<sup>®</sup> franchise opportunity; and

2.2.9. You have paid the Renewal Fee in the amount specified in the Summary Pages.

## 3. SITE SELECTION; CONSTRUCTION; STORE LOCATION

3.1. Site Selection. You must identify, acquire, and open a site for the Facial Shop by the Control Date (the "**Control Date**") specified in the Summary Pages and Attachment B. You must agree to use our designated supplier to assist you in locating a site. Our designated supplier will assist with identifying sites that meet our criteria and adhere to "Protected Area" boundaries. The site must be located within the Site Selection Area (the "**Site Selection Area**") identified in Attachment B, must meet Franchisor's then-current site selection criteria, and must otherwise be mutually acceptable to you and to Franchisor. Franchisor may assist you in site selection, in its sole discretion, which assistance may include making available to you the services of the Franchisor's designated marketing research firm. Ultimately site selection is solely your responsibility. Once you have acquired the site for the Facial Shop, Franchisor will apply and define the "Protected Area" and Attachment B will be executed and supplemented accordingly.

3.2. **Franchise Site Application.** For each proposed site that you identify, you must deliver to Franchisor a completed franchise site application in a form Franchisor prescribes, including such information about the site as Franchisor may reasonably request to perform its evaluation. This information may include, among other things, a description of the proposed site, demographic and psychographic characteristics, traffic patterns, parking, character of the neighborhood, competition from other businesses in the area, the proximity to other businesses, the nature of other businesses in proximity to the site, and other commercial characteristics (including the purchase price, rental obligations, and other lease terms for the proposed site) and the size, appearance, other physical characteristics, and a site plan of the premises. Franchisor will approve or refuse to approve a proposed site within 30 days after the receipt of these documents and any additional information as Franchisor may reasonably require. Franchisor's failure to provide notification within this time period shall not be considered either approval or disapproval. **The parties acknowledge and agree that Franchisor's site approval is not an assurance that the Facial Shop will achieve a certain sales volume or level of profitability; it means only that the proposed site meets Franchisor's minimum criteria for SKOAH® Facial Shops.**

3.3. **Lease.** If you will occupy the Franchised Location under a lease with a third-party landlord, Franchisor shall have the right to approve the lease terms, and the lease shall not be signed until it has been reviewed and approved by Franchisor. **The parties acknowledge and agree that Franchisor's approval of a lease does not mean that the economic terms of the lease are favorable, it means only that the lease contains the lease terms that Franchisor requires.** The lease must also contain the terms reflected in Attachment F, including Franchisor's option to assume the lease in the event of expiration or termination of this Agreement. The lease must be completed on or before the Control Date, and you shall provide to Franchisor a fully executed copy of the lease within 10 days after its execution.

3.4. **Facial Shop Design and Build Out.** You agree to follow Franchisor's procedures for the Facial Shop construction and build out, and you agree to construct and build out the Facial Shop according to Franchisor's standards and specifications for design, décor and layout, and shall equip the Facial Shop according to Franchisor's requirements for fixtures, furnishings, equipment, interior and exterior signage, artwork and graphics, and awnings. You are solely responsible for obtaining all government approvals, zoning classifications, permits, and clearances related to the Facial Shop, and for complying with applicable requirements of the Americans with Disabilities Act. During construction, you must maintain general liability and property damage insurance of the type and with the limits Franchisor requires, protecting you, Franchisor, and its Affiliates, and their respective partners, shareholders, directors, members, manager, agents, and employees. Such policy or policies shall be written by a responsible insurer or insurers acceptable to Franchisor and shall contain a waiver of subrogation in favor of Franchisor and its Affiliates, and their respective partners, shareholders, directors, members, managers, agents, and employees. You shall notify Franchisor in writing when construction begins, and thereafter shall provide a monthly progress report. Franchisor and its designees have the right to inspect the site at all reasonable times.

3.5. **Opening.**

3.5.1. You must ensure that you Facial Shop is open and operating no later than the Control Date identified on the Summary Pages and Attachment B.

3.5.2. You may open the Facial Shop for business only with prior written permission of Franchisor.

3.5.3. Franchisor will grant permission to open only if **(a)** all amounts due Franchisor under this Agreement have been paid, **(b)** the Facial Shop has been constructed and equipped according to Franchisor's standards and specifications, **(c)** all of your pre-opening and training obligations have been satisfied, **(d)** Franchisor has received from you a signed ACH Authorization (Attachment E) by no later

than the Control Date; **(e)** Franchisor has received from you a fully executed copy of your Facial Shop lease containing the mandatory lease terms described in Attachment F; **(f)** Franchisor has received from you certificates of insurance as required by Article 11; and **(g)** you are otherwise in good standing under this Agreement.

3.6. Relocation. You may relocate the Facial Shop only with Franchisor's prior written consent. Franchisor will grant its consent if your lease expires or terminates through no fault of yours, or if the Facial Shop premises is destroyed or materially damaged by fire, flood, or other natural catastrophe (an "**Innocent Loss or Casualty**") and you are not in default of this Agreement or any other agreement between you and Franchisor or its Affiliates. Selection of the relocation site and Facial Shop construction, renovation, and opening shall be governed by this Article 3; provided that if the relocation occurred as a result of an Innocent Loss or Casualty event, the Facial Shop must be open for business at the new location within 180 days of closing at the previous location; however, if the relocation occurred for any other reason, the Facial Shop must be open for business at the new location within five days of closing at the previous location. You are solely responsible for all relocation costs and expenses.

#### 4. FEES

4.1. Initial Franchise Fee. Upon execution of this Agreement, you shall pay Franchisor an Initial Franchise Fee in the amount specified in the Summary Pages. You acknowledge and agree that the Initial Franchise Fee is fully earned by Franchisor when paid and is not refundable under any circumstances.

4.2. Initial Training Fee. Prior to attending Initial Training, you must pay the Initial Training Fee in the amount specified in the Summary Pages. You acknowledge and agree that the Initial Training Fee is fully earned by Franchisor when paid and is not refundable. The Initial Training Fee includes certain business-related training for you and your General Manager as well as technical service-related training. Additional training is subject to the Franchisor's then current tuition.

4.3. Royalty Fee. During the term of this Agreement, you shall pay to Franchisor a nonrefundable and continuing Royalty Fee in the amount specified in the Summary Pages for the right to use the System and the Proprietary Marks. If any taxes, fees, or assessments are imposed on Royalty Fee payments by reason of Franchisor acting as a franchisor or licensing the Marks under this Agreement, you shall reimburse Franchisor the amount those taxes, fees, or assessments within 30 days after receipt of an invoice from Franchisor.

4.4. Technology Fee. You must also pay to Franchisor, on such date and in such manner as Franchisor designates, a Technology Fee in the amount indicated on the Summary Pages to be used in connection with certain software and technology related costs as determined by Franchisor in its discretion. Such amounts may be used, for example, for intranet development, support, maintenance, and related costs; software or application development, customization, and implementation; online or Internet-related support; hardware and/or software support; business intelligence and other such technologically-related activities as Franchisor may determine from time to time.

4.5. Other Payments. In addition to all other payments provided in this Agreement, you shall pay Franchisor and its Affiliates promptly when due:

4.5.1. All amounts advanced by Franchisor or which Franchisor has paid, or for which it has become obligated to pay on your behalf for any reason whatsoever.

4.5.2. The amount of all sales taxes, use taxes, personal property taxes and similar taxes, which shall be imposed upon you and required to be collected or paid by Franchisor **(a)** on account of your Gross

Revenue, or **(b)** on account of initial franchise fees, royalty fees or advertising fees collected by Franchisor from you (but excluding ordinary income taxes). Franchisor, in its discretion, may collect the taxes in the same manner as Royalty Fees are collected and promptly pay the tax collections to the appropriate governmental authority; provided, however, that unless Franchisor so elects, it shall be your responsibility to pay all sales, use or other taxes now or hereinafter imposed by any governmental authorities on initial franchise fees, royalty fees and advertising fees.

4.5.3. Amounts due relating to your participation in marketing programs pursuant to Sections 9.4. and 9.5. of this Agreement.

4.5.4. All amounts due for any reason, including on account of purchases of Proprietary Products, supplies or services relating to the Franchised Business.

4.6. No Set-Off Rights. You may not set off, deduct or otherwise withhold any fees or other amounts due Franchisor under this Agreement on the grounds of alleged nonperformance by Franchisor of any of its obligations or for any other reason. Withholding royalties or any other amounts due Franchisor is a material breach of this Agreement.

4.7. Payment Terms. All payments required by this Agreement shall be paid within the time Franchisor specifies, provided that such day is a Business Day (the “**Due Date**”). If the Due Date is not a Business Day, then payment shall be due on the next Business Day.

4.8. Payment Procedures. Franchisor shall determine the amount of the Royalty Fee, Marketing Fee, and other amounts due under this Agreement by accessing and retrieving Gross Revenue data from your computer system, as permitted by Article 10, and shall provide notice to you (each a “**Fee Notice**”) stating the applicable Royalty Fee, Marketing Fee, and other fee amount, if any, no later than the Due Date. If you wish to dispute the amount, you shall deliver to Franchisor written notice of the dispute, along with all evidence that supports your claim within two Business Days following delivery of the Fee Notice. On each Due Date, Franchisor will transfer from your commercial bank operating account (“**Account**”) the undisputed amount of fees reflected in the Fee Notice. If you have not reported Gross Revenue for any reporting period, or if Franchisor determines that you have underreported Gross Revenue, Franchisor also has the right to transfer from the Account, at its option, an estimated payment, plus interest, which payment may be based on the Facial Shop’s historical performance and/or the amount of your purchases of required products. Any overpayment will be credited against future payments due under this Agreement.

4.9. Electronic Fund Transfer. You shall participate in Franchisor’s then-current electronic funds transfer program authorizing Franchisor to use a pre-authorized bank draft system. You shall: **(a)** comply with Franchisor’s procedures, as specified in the Manual or otherwise in writing; **(b)** perform those acts and sign and deliver those documents as may be necessary to accomplish payment by electronic funds transfer as described in this Section 4.9.; **(c)** give Franchisor an authorization in the form designated by Franchisor to initiate debit entries and/or credit correction entries to the Account for payments of the Royalty Fee, Technology Fee, Marketing Fee and other amounts payable under this Agreement, including any interest charges; and **(d)** make sufficient funds available in the Account for withdrawal by electronic funds transfer no later than the Due Date for each payment thereof. Notwithstanding the provisions of this Article 4, Franchisor reserves the right to modify, at its option, the method by which you pay the Royalty Fee, Marketing Fee and other amounts owed under this Agreement upon receipt of written notice by Franchisor. Your failure to have sufficient funds in the Account is a material breach of this Agreement.

4.10. Interest; Nonsufficient Funds Charge. Any payments not received by Franchisor by the Due Date will accrue interest at the rate of 18% per annum or the highest lawful interest rate permitted by the jurisdiction in which the Facial Shop operates, whichever is less. If any check, draft, electronic or otherwise,

is returned for insufficient funds, you shall pay to Franchisor a nonsufficient funds charge in the amount of \$50 (which may be increased each year by an amount not to exceed 10% of the then-current amount) and reimburse Franchisor for all expenses that it incurs on account of such nonsufficient funds.

4.11. Partial Payments; Application of Payments. If you pay less than the amount due, your payment will be considered a partial payment on account. Franchisor may accept such payment as a partial payment, irrespective of any endorsement or other statement that the payment constitutes full payment. Franchisor's acceptance of such partial payment will not be considered a waiver of any of its right to demand or receive full payment, and you hereby waive any estoppel defense in this regard. Franchisor may apply your payments to any indebtedness, in its sole and reasonable discretion, regardless of any designation that accompanies the payment.

4.12. Payment of Taxes. To the extent that any sales, excise, or similar taxes are imposed on payments for goods or services provided by Franchisor, you shall pay such taxes.

4.13. Collection Costs and Expenses. You shall pay Franchisor on demand any and all costs and expenses incurred by Franchisor in enforcing the terms of this Agreement including, without limitation, collecting any monies that you owe to Franchisor. These costs and expenses include, without limitation, costs and commissions due a collection agency, reasonable attorneys' fees, costs incurred in creating or replicating reports demonstrating Gross Revenues of the Facial Shop, court costs, expert witness fees, discovery costs and reasonable attorneys' fees and costs on appeal, together with interest charges on all of the foregoing.

4.14 Administrative Default Fee. In the event of default under this Section 4, or in the event of any instance of your non-compliance with this Agreement, the Manual, or other policies and System standards, for which we notify you of such default or non-compliance, at our discretion we may require you to pay an administrative fee to us in the amount of One Hundred Dollars (\$100) per occurrence, and One Hundred Dollars (\$100) for each week such default or non-compliance remains uncured, plus any and all of our costs and expenses to enforce compliance by you or to cure such default, including our attorneys' fees. Such administrative fee and other charges are intended to reimburse us for our time, expense, and other expenditure of resources incurred due to your default or non-compliance. Our decision to require you to pay such administrative fee shall be without prejudice to our right to terminate this Agreement and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement. We may obtain payment of such administrative fee by way of electronic fund transfer.

## 5. TRAINING AND ASSISTANCE

5.1. Initial Training. Before you may open the Facial Shop for business the Managing Owner and other trainees must attend and complete, to Franchisor's satisfaction, Franchisor's initial training program, which consists of two distinct types of training: business-related training and technical service-related training (together "**Initial Training**").

5.1.1 Business Training. The business-related portion of the Initial Training ("**Business Training**") will take place at a location and time that Franchisor designates, and only after you have executed a lease for the Franchised Business, provided, however, that Franchisor reserves the right to delay this portion of the Initial Training program until such time as you have completed all pre-initial training items set forth in the Manuals.

Up to two individuals may attend the "Business Training" portion of the Initial Training program without additional charge. If the Managing Owner is not the General Manager, both the Managing Owner and the General Manager must attend the Business Training. If the General Manager is also the Managing Owner,

then one other employee may attend without charge. At your request, Franchisor may permit additional individuals to attend the Business Training, subject to space availability and payment of Franchisor's then-current tuition. You are responsible for all costs and expenses of complying with Franchisor's Business Training requirements including, without limitation, tuition and registration costs, and salary, travel, lodging, and dining costs for all of your employees who participate in and attend the Business Training".

5.1.2 Facial Shop Opening and Stylist Training. The technical portion of the initial training program has two components and relates to Facial Shop Opening and stylist training. Currently we provide one individual (Corporate Skin Care trainer) to provide you with on-site esthetician training services at your Facial Shop for a period of up to 4 days, typically in conjunction with a second individual (Facial Shop Opener for 3 days) to provide opening support, software and sales training. This training is scheduled at our discretion and is subject to our availability. Any/all additional training, including training for—if applicable—your second and subsequent facial shops, is currently provided at \$300/day plus travel.

5.2. Additional Opening Assistance. At your request, Franchisor may, in its sole discretion, provide additional on-site opening assistance, subject to availability of personnel and at the Franchisor's current daily rate. In such event, you agree to pay Franchisor's current daily rate for providing such assistance, and you must reimburse Franchisor for all out-of-pocket costs it incurs in connection with providing such additional assistance, including travel, lodging, and dining costs for the individual(s) providing such assistance. If Franchisor determines, in its sole discretion, that you have not met the minimum requirements for the establishment of the Facial Shop by the timelines set forth in the Manuals, Franchisor may require that you accept such additional on-site assistance as Franchisor deems appropriate. You agree to pay Franchisor's per diem assistance fee for such additional assistance as well as Franchisor's related travel, lodging, and dining costs.

5.3. Ongoing and Advanced Training. Upon your request, Franchisor may, in its sole discretion, provide additional ongoing or on-site training assistance, subject to availability of personnel and at the Franchisor's current daily rate ("Advanced Training"). Should Franchisor agree to provide such Advanced Training, you agree to pay Franchisor's current daily rate, in some cases per attendee/trainee for providing such assistance, and you must reimburse Franchisor for all out-of-pocket costs it incurs in connection with providing such additional assistance, including travel, lodging, and dining costs for the individual(s) providing such assistance. Advanced Training currently includes Open-training (refresher), Additional Stylist Training, Local Facial Shop Trainer (e.g., train the trainer), Advanced Facials and so on. All on-going and advanced training has a fee associated. The franchisor reserves the right to offer occasional incentives and discounts at their sole discretion.

5.4. Pre-Opening Consultation. Franchisor shall provide such pre-opening consultation and advice as it deems appropriate, which may include advice with regard to the development and operation of the Facial Shop, building layout, furnishings, fixtures, and equipment, plans and specifications, employee recruiting, selection, and training, purchasing and inventory control, and such other matters as Franchisor deems appropriate.

5.5. Ongoing Consultation. Franchisor shall provide such ongoing consultation and advice as it deems appropriate, which may include information about new service and product development, instruction concerning the operation and management of SKOAH® Facial Shop, advertising and marketing advice, and financial and accounting advice. Such consultation and advice may be provided, in Franchisor's discretion, through Facial Shop visits by Franchisor personnel, via meetings, seminars or conferences, and/or through dissemination of electronic or printed materials.

5.6. Additional Training. You agree to cause the Managing Owner, General Manager, and other employees that Franchisor designates to attend such additional courses, seminars, and other training

programs as Franchisor may reasonably require. Franchisor may charge a reasonable tuition for these additional courses, seminars, or other training programs, and you are responsible for all training-related costs and expenses including, without limitation, salary, travel, lodging, and dining costs for all employees who participate in the training.

5.7. Continuing Education Requirement. You shall cause each Facial Shop employee providing services which require, by law, a license or certification, to complete, to Franchisor's satisfaction, Franchisor's continuing education requirement, and other certifications and ongoing education required by law. Franchisor may, in its sole discretion, exempt certain employees from such required continuing education, if Franchisor deems that the continuing education required by the licensing or certifying State meets Franchisor's minimum continuing education requirements. Upon Franchisor's request, you must provide proof of renewed license or certification, or proof of completion of continuing education requirements for each Facial Shop employee required, by law, to be licensed or certified. You are responsible for all costs related for each technician's attendance including, but not limited to, Franchisor's then-current tuition, your employees' salary, and all travel expenses. You shall also cause each Facial Shop employee providing technical services to complete, to Franchisor's satisfaction, any of Franchisor's future education requirements regardless of your state's legal requirements.

5.8. Additional On-Site Training. In the event that you fail two consecutive quality inspections, Franchisor may, in its sole discretion, require the Managing Owner and your General Manager (or, if the Managing Owner is the General Manager, then one additional employee) to attend up to three days of on-site training. You will bear all costs for such additional training including, but not limited to Franchisor's current daily rate for providing such training and all travel expenses.

5.9. Performance by Delegate. You acknowledge and agree that any rights or duties of Franchisor may be exercised and/or performed by any of Franchisor's designees, agents, or employees.

5.10 Convention. You or your representative are required to attend, no more than annually, any designated convention or annual training meeting. You will pay the then-current enrollment fee. If you fail to attend the Convention you will be assessed \$1,000 non-attendance penalty fee. This fee shall be automatically withdrawn by electronic funds transfer.

## **6. OPERATION OF THE FRANCHISED BUSINESS**

6.1. General Operating Requirements. You understand and acknowledge that every detail of the System is essential to maintain and enhance the goodwill associated with the Proprietary Marks and the integrity of the brand. Accordingly, you agree as follows:

(a) To operate the Franchised Business according to the highest applicable health and safety standards and ratings, to timely obtain or cause employees to obtain any and all permits, certificates, or licenses necessary for the lawful operation of the Franchised Business, to operate the Franchised Business according to Franchisor's operating methods, standards, and specifications, and to maintain, at all times, a high moral and ethical standard in the operation of the Franchised Business.

(b) To notify Franchisor by telephone and confirm in writing within 72 hours of any investigation or violation, actual or alleged, concerning any health or safety regulations, and notify Franchisor in writing within five days of the commencement of any investigation, action, suit or proceeding, and the issuance of any order, writ, injunction, award, or decree of any court, agency or other government instrumentality, which may adversely affect the operation or financial condition of the Franchised Business.

(c) Upon the occurrence of a Crisis Management Event, to immediately inform Franchisor's President (or as otherwise instructed in the Manuals) by telephone, and to cooperate fully with Franchisor with respect to Franchisor's response to the Crisis Management Event.

## 6.2. Managing Owner; General Manager.

6.2.1. The Facial Shop must be supervised by a General Manager. The Managing Owner may also be the General Manager. The Managing Owner shall have oversight of the General Manager and the General Manager shall have full control (the extent granted by Franchisee) over day-to-day Facial Shop management and operations. The Managing Owner and the General Manager must attend and successfully complete Franchisor's initial training program and all additional training that Franchisor requires, to Franchisor's satisfaction. The General Manager shall devote his or her full-time efforts to Facial Shop operations, and shall not engage in any other business or activity, directly or indirectly, that requires substantial management responsibility or time commitment. Franchisor shall have approved the Managing Owner as meeting its then-current qualifications for such position.

6.2.2. If the General Manager ceases to serve in, or no longer qualifies for, such position, you shall designate another qualified person to serve as your General Manager within 30 days after the date the prior General Manager ceases to serve or no longer qualifies to serve. Any proposed replacement General Manager must successfully complete the initial training program and such other training required by Franchisor, and be approved by Franchisor, before assuming his or her position as General Manager and, in no event, later than 90 days after the previous General Manager ceased to serve in such position. In the event of the replacement of a General Manager, the franchisor may, at its sole discretion, require on-site, in-facial shop training under the same terms and tuition rates contained in Article 5 above.

6.3. Employee Policy; Uniforms and Employee Appearance. You shall maintain a competent, conscientious, fully certified and trained staff, and shall take such steps as are necessary to ensure that your employees and/or independent technicians preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as Franchisor may establish from time to time in the Manuals or otherwise in writing. You shall cause all employees and/or independent technicians, while working at the Facial Shop, to: **(a)** abide by the uniform requirements and policies set forth in the System standards, Uniform Guidelines and other specifications as Franchisor may designate from time to time, and **(b)** present a neat and clean appearance. In no case shall any of your employees and/or independent technicians wear his or her SKOAH® uniform while working for you at any location other than the Franchised Business.

## 6.4. Authorized Services and Product Offerings.

6.4.1. You must offer and sell all services and products that Franchisor requires, and only those services and products that Franchisor has approved. Franchisor may add, eliminate and change authorized services and/or products, in its sole discretion, and you must comply with all directives (which may require purchasing and installing additional equipment). You shall package and feature all products in accordance with Franchisor's standards and procedures as communicated to you from time to time via the Manual or other written directives. Such standards and procedures may include, without limitation, use of packing and marketing paraphernalia bearing the Proprietary Marks, and other standards for displaying for sale the proprietary products. You shall participate in all market research programs that Franchisor requires, which includes test-marketing new services and/or products, purchasing a reasonable quantity of new products for

test-marketing, promoting the sale of the new services and/or products. You shall provide Franchisor with timely reports and test results for all such programs.

6.4.2. You are expressly prohibited from providing any services not specifically permitted by the operations manual without Franchisor's prior written consent.

#### 6.5. Purchase Requirements.

6.5.1. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, décor, signs, and other items as Franchisor may reasonably direct; and shall refrain from installing or permitting to be installed on or about the Facial Shop premises any fixtures, furnishings, equipment, décor, signs, vending or game machines or other items not approved for use by Franchisor. In addition, you shall purchase and use only products, packaging materials, and supplies as conform to Franchisor's standards and specifications; and shall purchase, use, offer and/or promote SKOAH® products which are produced or manufactured in accordance with Franchisor's proprietary specifications and/or formulas or which Franchisor designates as "**Proprietary Products**".

6.5.2. Approximately 60 days prior to the opening of the Facial Shop, you must complete your purchase of initial inventory of our private label cosmetics and skin care products ("**Private Label Products**"). The purchase price of this initial inventory of Private Label Products will vary depending on the quantity and mix of product Franchisor deems necessary to meet your customer demand. If for any reason the Facial Shop does not open for business (other than in the event the parties mutually agree to extend the originally established Control Date), Franchisor will refund the cost of your initial inventory purchase subject to Franchisor's receipt of reusable unopened, undamaged, complete inventory; otherwise, the fee is not refundable. Once the Facial Shop is open for business you must on an on-going basis maintain a minimum level of inventory as determined by Franchisor in its discretion.

6.6. Purchases from Designated Sources. Franchisor and its Affiliates may act as suppliers of goods, services, products, and/or supplies to be purchased by you, including, without limitation, the Proprietary Products and your computer hardware and software ("**Goods and Services**"), and may designate themselves as the sole suppliers of any such Goods and Services. You shall purchase your requirements of Goods and Services from Franchisor or its designated sources, which purchase price shall also include all shipping costs. Such Goods and Services shall be made available for purchase at then-current published prices according to the supplier's then-current purchase terms and conditions. You shall purchase all other products, equipment, supplies and materials used or sold by the Franchised Business, including, without limitation the Proprietary Products, solely from suppliers (including Franchisor, or its Affiliates, and manufacturers, wholesalers, and distributors) who demonstrate, to Franchisor's continuing reasonable satisfaction, the ability to meet Franchisor's reasonable standards and specifications for such items, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by Franchisor in the Manuals or otherwise in writing and not thereafter disapproved. You acknowledge and agree that Franchisor and its Affiliates may negotiate purchase arrangements with suppliers for your benefit and may derive revenue or obtain rebates, bulk pricing discounts or allowances for their own account from approved or designated suppliers if rebates or other considerations become available because of your purchases of products or services. If you desire to purchase products from other than approved suppliers, you shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require, or shall request the supplier itself to do so. Franchisor shall have the right to inspect and evaluate the supplier's facilities and products to be supplied, and you shall pay all of Franchisor's reasonable expenses incurred in so doing. Franchisor may from time to time re-inspect and re-evaluate the facilities and products of any approved supplier and revoke its general approval of particular products or suppliers when Franchisor determines, in its sole discretion, that such products or suppliers no longer meet

Franchisor's standards. Upon receipt of written notice of such revocation, you shall cease to sell any disapproved products and cease to purchase from any disapproved supplier.

6.7. Franchised Location.

6.7.1. You shall maintain the Facial Shop (including adjacent public areas) in a clean, orderly condition and in excellent repair and in accordance with Franchisor's standards. You shall, at your expense, make such additions, alterations, repairs, and replacements under this Agreement as may be required for that purpose, including, without limitation, such periodic repainting, repairing, and replacing of obsolete or deteriorated signs, furnishings, fixtures, equipment, and decor as Franchisor may reasonably direct. Upon Franchisor's request, you shall install and maintain at the Franchised Business interactive multi-media equipment, devices, and facilities Franchisor requires, including, without limitation, approved music systems, wi-fi and other wireless internet and communications systems, and interactive displays, including flat screens.

6.7.2. You shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Franchised Location.

6.7.3. You shall purchase and install, at your expense, all fixtures, furnishings, equipment, decor, signs, and other items as Franchisor may reasonably direct from time to time in the Manual or otherwise in writing in accordance with Franchisor's standards and specifications; and shall refrain from installing or permitting to be installed on or about the Franchised Location, any fixtures, furnishings, equipment, decor, signs, vending or game machines or other items not previously approved in writing as meeting Franchisor's standards and specifications.

6.7.4. At Franchisor's request, you shall make such alterations as may be necessary to reflect new product offerings and marketing incentives, including updating or replacement new interior signage, graphics, and/or point of sale materials.

6.7.5. At Franchisor's request, but not more often than once every 60 months (and in addition to any work which you may undertake pursuant to other Sections of this Agreement), you shall refurbish the Franchised Location, at your own expense, to conform to the building design, trade dress, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current public image for new or remodeled SKOAH® Facial Shops in the System, including, without limitation, replacement or renovation of equipment, remodeling, redecoration, and modifications to existing improvements and reasonable structural changes that Franchisor may reasonably require or that may be required by law.

6.8. Days and Hours of Operation. You shall cause the Facial Shop to be open and in normal operation for such minimum hours and days as Franchisor may specify in the Manual or in other written directives, but no less than six days per week.

6.9. Quality Assurance Inspections; Testing. Franchisor shall have the right to enter upon the Facial Shop premises during regular business hours to inspect the Facial Shop for quality assurance purposes. You shall allow Franchisor from time to time to obtain samples of ingredients, products and supplies, without charge, to test for quality assurance purposes.

6.10. Modification to the System. At your own expense, you shall make such alterations, additions, or modifications to the Franchised Location as Franchisor may reasonably require to implement changes to the System, including, without limitation, changes to products, services or market positioning. You shall

make all such changes within 90 days from receipt of notice. You shall not implement any modification to the System without Franchisor's express prior written consent.

6.11. Pricing. To the fullest extent permitted by applicable law, Franchisor reserves the right to establish maximum, minimum or other pricing requirements with respect to the prices you may charge for products or services.

6.12. Intranet/Extranet System. Franchisor may, at its option, establish and maintain an intranet or extranet system through which members of SKOAH® franchise network may communicate and through which Franchisor may disseminate updates to the Manual and other Confidential Information. Franchisor will have no obligation to establish or to maintain the intranet indefinitely, and may dismantle it at any time without liability to you. Franchisor may establish policies and procedures for the intranet's use. Franchisor expects to adopt and adhere to a reasonable privacy policy. However, you acknowledge that, as administrator of the intranet, Franchisor can access and view any communication that anyone posts on the intranet. You further acknowledge that the intranet facility and all communications that are posted to it will become Franchisor's property, free of any claims of privacy or privilege that you or any other individual may assert. If you fail to pay when due any amount payable to Franchisor under this Agreement, or if you fail to comply with any policy or procedure governing the intranet, Franchisor may temporarily suspend your access to any chat room, bulletin board, listserv, or similar feature the intranet includes until such time as you fully cure the breach.

6.13 Website and Digital Presence. Franchisor may, but shall not be obligated to, establish and maintain a Website to provide information about the System and the goods and services that SKOAH® Facial Shops provide, even though Franchisor's Website is accessible by persons in your trade area. Franchisor has sole discretion and control over the design and content of Franchisor's Website. You are not permitted to have any independent website, domain, landing page, microsite or social media identity that is not part of SKOAH managed, controlled, described or defined processes related to digital media and marketing. We may create, operate, and promote SKOAH in a digital environment to include websites, social media accounts, blogs, advertising, franchise opportunities, facial shop details and more. You will participate in and solely use the digital properties, domains, advertising and social tools and handles which we expressly permit. Any unapproved use of digital media will be considered a compliance issue.

## **7. PROPRIETARY MARKS AND COPYRIGHTS**

7.1. Franchisor's Representations. Franchisor represents to you that it has the right to use and to sublicense to you the right to use the Proprietary Marks in accordance with the terms and conditions of this Agreement.

7.2. Acknowledgments. You expressly acknowledge that Franchisor or its Affiliate owns all right, title, and interest in and to the Proprietary Marks and the goodwill associated with the Proprietary Marks, and that you have no ownership interest in the Proprietary Marks. You agree not to use any other Proprietary Marks or any marks, names or indicia of origin that are or may be confusingly similar to the Proprietary Marks in your own corporate or business name except as authorized in this Agreement. You further acknowledge and agree that any and all goodwill associated with the Facial Shop and identified by the Proprietary Marks is Franchisor's property and shall inure directly and exclusively to the benefit of Franchisor and that, upon the expiration or termination of this Agreement for any reason, no monetary amount shall be assigned as attributable to any goodwill associated with your use of the Proprietary Marks. You understand and agree that any use of the Proprietary Marks other than as expressly authorized by this Agreement, without Franchisor's prior written consent, may constitute an infringement of Franchisor's rights herein and that the right to use the Proprietary Marks granted herein does not extend beyond the termination or expiration of this Agreement.

7.3. Use of the Proprietary Marks. You shall use only the Proprietary Marks designated by Franchisor, shall use them only in the manner that Franchisor authorizes and permits, and shall use them with the symbols “®”, “TM”, or “SM”, as appropriate. You shall use the Proprietary Marks only in connection with the operation and promotion of the Franchised Business, and only in the manner prescribed by Franchisor. You may not contest ownership or validity of the Proprietary Marks or any registration thereof, or engage in any conduct that adversely affects the ownership or registration of the Proprietary Marks, or Franchisor’s right to use or to sublicense the use of the Proprietary Marks. You shall execute all documents that Franchisor requests in order to protect the Proprietary Marks or to maintain their validity and enforceability.

7.4. Restriction Against Use in Your Corporate Name. You may not use the Proprietary Marks or any part thereof in your corporate name, and may not use them to incur any obligation or indebtedness on Franchisor’s behalf.

7.5. Restriction Against Use of the Proprietary Marks and Copyrighted Works on the Internet.

7.5.1. You may not use the Proprietary Marks or any part or derivative thereof or any of Franchisor’s Copyrighted Works on the Internet, except as expressly permitted in writing. Without limiting the generality of the foregoing, you may not use the Proprietary Marks or any part or derivative of the Proprietary Marks as part of any URL or domain name, and may not register as part of any username on any website (including commercial, gaming, video sharing, user review, and social networking websites), or as part of any unauthorized email address. You also may not display on any website (including commercial, gaming, video sharing, user review, and social networking websites) Franchisor’s Copyrighted Works, which include the design portion of its Proprietary Marks, or any collateral merchandise identified by the Proprietary Marks.

7.6. Notice. You shall identify yourself as an independent franchise owner of the Franchised Business in conjunction with any use of the Proprietary Marks or operation of the Franchised Business, including, but not limited to, such use on invoices, order forms, receipts, business stationery, business cards, and contracts, as well as at such conspicuous locations at the Facial Shop as Franchisor may designate in writing. The form and content of such notice shall comply with the standards set forth in the Manuals.

7.7. Infringement. You shall promptly notify Franchisor of any suspected unauthorized use of, or any challenge to the validity of the Proprietary Marks or Copyrighted Works, or any challenge to Franchisor’s or its Affiliate’s ownership of, Franchisor’s license to use and to license others to use, or your right to use, the Proprietary Marks or Copyrighted Works licensed under this Agreement. You acknowledge that Franchisor or its Affiliate has the right to direct and control any administrative proceeding or litigation, or other adjudicative proceeding involving the Proprietary Marks or Copyrighted Works, including any settlement thereof. Franchisor or its Affiliate has the right, but not the obligation, to take action against third parties for infringement of the Proprietary Marks or Copyrighted Works. Franchisor shall defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks or Copyrighted Works. If Franchisor, in its sole discretion, determines that you have used the Proprietary Marks and Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that you have not used the Proprietary Marks or Copyrighted Works in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by you. In the event of any litigation relating to your use of the Proprietary Marks or Copyrighted Works, you shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of your use of the Proprietary Marks or Copyrighted Works in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse you for your associated costs.

7.8. Changes to the Proprietary Marks. Franchisor reserves the right, in its sole discretion, to designate one or more new, modified or replacement Proprietary Marks for your use and to require your use of any such new, modified or replacement Proprietary Marks in addition to or in lieu of any previously designated Proprietary Marks. You must comply with any such directive within 60 days following your receipt of Franchisor's written notice to you, and you are responsible for all related costs and expenses.

## **8. SYSTEM, MANUALS, AND INFORMATION**

8.1. Manuals. Franchisor will provide you on loan a digital copy of the Manuals. You shall operate the Franchised Business in accordance with the System Standards, methods, policies, and procedures specified in the Manuals. The Manuals shall at all times be considered the sole property of Franchisor and shall be kept in a secure digital Location. You shall ensure that your copy of the Manuals are kept current at all times, and in the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor shall be controlling.

8.2. System Modification. You acknowledge that the System, Franchisor's Confidential Operations Manuals and the Manuals, and the products and services offered by the Franchised Business may be modified, (such as, but not limited to, the addition, deletion, and modification of operating procedures, products and services) from time to time by Franchisor. You agree to comply, at your expense, with all such modifications, including, without limitation, all requirements to implement the modifications, such as replacement or renovation of equipment, remodeling, redecoration and modifications to existing improvements, including structural changes. Franchisor shall notify you of any such System changes and you shall implement any System changes upon receipt of notice thereof from Franchisor, and shall complete their implementation within such time as Franchisor may reasonably specify. For purposes of this Agreement, System changes shall include, without limitation, changes in any of the categories referred to in this Section 8.2. No such modification will alter your fundamental status and rights as a franchisee under this Agreement.

8.3. Confidentiality. You shall maintain the confidentiality of all Confidential Information. You shall use Confidential Information only in connection with the operation of the Franchised Business, and shall divulge Confidential Information only to your employees and only on a need-to-know basis. This obligation shall survive termination or expiration (without renewal) of this Agreement. Franchisee further acknowledges and agrees that all Confidential Information (as defined in this Agreement) is the exclusive property of Franchisor.

## **9. ADVERTISING AND MARKETING**

9.1. General. All of your promotional and marketing materials shall be presented in a dignified manner and shall conform to Franchisor's standards and specifications related to advertising, marketing, and trademark use and be pre-approved materials created exclusively by and for SKOAH. You shall submit to Franchisor samples of any and all proposed promotional and marketing materials that are not part of the pre-approved SKOAH materials, and notify Franchisor of the intended media, before first publication or use. Franchisor shall use good faith efforts to approve or disapprove proposed promotional and marketing materials within 15 days of their receipt. You may not use any promotional or marketing materials until Franchisor expressly approves the materials and the proposed media. Once approved, you may use the materials only in connection with the media for which they were approved. Franchisor may disapprove your promotional or marketing materials, or the media for which they were approved, at any time, and you must discontinue using any disapproved materials or media upon your receipt of written notice of disapproval. Upon discovery of any unapproved materials, including media, display or in-facial shop materials, or any other advertising, including print, social or digital, the Franchisor will require immediate discontinuation of use.

9.2. Grand Opening Marketing Event. You agree to spend at least the amount indicated on the Summary Pages to promote your Facial Shop's grand opening event. The Franchisor will assist you in creating a marketing and promotional event strategy for the grand opening event for your Facial Shop and you agree to spend the grand opening event expenditure requirement in accordance with this approved plan. You agree to provide Franchisor with proof of the expenditures required under this Section immediately on Franchisor's request.

9.3. Marketing Fee. You must pay to Franchisor a marketing fee (the "**Marketing Fee**") in the amount stated on the Summary Pages. In consideration for the Marketing Fee, Franchisor will provide such advertising, marketing, and promotional services as Franchisor deems appropriate in its sole discretion. Franchisor may collect the Marketing Fee on such periodic basis as Franchisor specifies, which may be weekly, monthly, or otherwise.

9.4. Local Advertising. At Franchisor's election, franchisor may require you to: **(a)** spend the minimum amount noted on the Summary Pages in your local market to promote the Facial Shop; or **(b)** pay such amounts to Franchisor, in the same manner as Royalty Fees and on such Due Date as Franchisor designates, to be spent on advertising and marketing campaigns in your market area. If Franchisor requires you to spend such amounts directly, then you shall provide proof of such expenditure according to the procedures Franchisor requires. Also, if Franchisor requires you to spend such amounts directly, then at least 30 day prior to the beginning of each calendar quarter, you must submit to Franchisor your advertising campaign and budget for Franchisor's review and approval. Of note, your Protected Area serves only to limit the physical development of another SKOAH facial shop therein and does not represent any exclusive marketing and advertising rights. The System standards serve to provide local advertising and digital advertising guidelines for best practices to attract clients, reduce overlapping efforts and work productively with neighboring facial shops. You are required to follow these System standards and guidelines which are subject to change at the sole discretion of the Franchisor.

9.5. Loyalty Programs, Prize Promotions, and Promotional Literature.

9.5.1. You shall participate in and offer to your customers: **(a)** all customer loyalty and reward programs; and **(b)** all contests, sweepstakes, and other prize promotions; which Franchisor may develop from time to time. Franchisor will communicate to you in writing the details of each such program or promotion, and you shall promptly display all point-of-sale advertising and promotion-related information at such places within the Facial Shop as Franchisor may designate. You shall purchase and distribute all coupons and other collateral merchandise designated by Franchisor for use in connection with each such program or promotion.

9.5.2. If Franchisor develops or authorizes the sale of gift certificates and/or stored value cards, loyalty cards and/or customized promotional receipts, you shall acquire and use all computer software and hardware necessary to process their sale and to process purchases made using them and be solely responsible for the service charges related to such processing. You are responsible for the accurate reporting gift certificate sales and redemptions in the facial shop. All proceeds from the sale of all gift certificates and/or loyalty cards belong exclusively to Franchisor, and you shall remit the proceeds of such sales to Franchisor according to the procedures that Franchisor prescribes periodically. Franchisor shall reimburse or credit to you (at Franchisor's option) the redeemed value of gift certificates and/or loyalty cards accepted as payment for products and services sold by the Facial Shop.

9.5.3. You also shall display at the Facial Shop all promotional literature and information as Franchisor may reasonably require from time to time. This may include, among other things, displaying signage or other literature containing information about SKOAH® franchise offering.

9.5.4. You also agree to honor such credit cards, courtesy cards, and other credit devices, programs, and plans as may be issued or approved by us from time to time. Any reasonable and customary service charges or discounts from reimbursements charged on such cards or authorizations will be at your sole expense.

9.6. Participation in Marketing Programs. You shall at all times cooperate with Franchisor and other franchisees of Franchisor and shall actively participate in any and all sales, public relations, advertising, cooperative advertising and purchasing programs or promotional programs (including, without limitation, product give-away promotions) which may be developed and implemented by Franchisor. Participation may include, without limitation, purchasing (at your expense) and using **(a)** point of sale materials, **(b)** counter cards, displays, and give away items promoting loyalty programs, prize promotions, and other marketing campaigns and programs, and **(c)** equipment necessary to administer loyalty programs and to prepare and print customized purchase receipts, coupons, and similar items.

9.7. Advertising Cooperatives. Franchisor may, from time to time, form local or regional advertising cooperatives (“**Advertising Cooperative**”) to pay for the development, placement and distribution of advertising for the benefit of Facial Shops located in the geographic region served by the Advertising Cooperative. Any Advertising cooperatives established by Franchisor will be operated solely as a conduit for the collection and expenditure of Advertising Cooperative fees for the aforementioned purposes. If Franchisor forms an Advertising Cooperative for the region in which the Facial Shop is located, you agree to participate in the Advertising Cooperative pursuant to the terms of this Section 9.7.

9.7.1. Franchisor shall have the exclusive right to create, dissolve and merge each Advertising Cooperative created, in its discretion, and to create and amend the organizational and governing documents related thereto; provided that such documents shall: **(a)** operate by majority vote, with each SKOAH® Facial Shop (including Facial Shops owned by Franchisor or its Affiliates) entitled to one vote, **(b)** entitle Franchisor to cast one vote (in addition to any votes it may be entitled to on account of its operation of Facial Shops in the area served by the Advertising Cooperative, **(c)** permit the members of the Advertising Cooperative, by majority vote, to determine the amount of required contributions, and **(d)** provide that any funds left in the Cooperative at the time of dissolution shall be returned to the members in proportion to their contributions during the 12-month period immediately preceding termination.

9.7.2. You agree to be bound by all organizational and governing documents created by Franchisor and, at Franchisor's request, shall execute all documents necessary to evidence or affirm your agreement. The Advertising Cooperative shall begin operating on a date determined in advance by Franchisor.

9.7.3. No advertising or promotional plans or materials may be used by the Advertising Cooperative or furnished to its members without Franchisor's prior approval. All advertising plans and materials must conform to the Standards and must be submitted to Franchisor for approval.

9.7.4. Fees paid by you as contribution to an Advertising Cooperative established in your geographic area shall be credited towards your local advertising requirement as set forth in the Summary Pages.

## **10. COMPUTER SYSTEM; ACCOUNTING AND RECORDS; TAXES**

10.1. Computer System. You shall acquire and use only the point-of-sale cash registers and computer systems and equipment that Franchisor prescribes for use by SKOAH® Facial Shops (“**Computer System**”), and adhere to Franchisor’s requirements for use. Requirements may include, among other things, connection to remote servers, off-site electronic repositories, and high-speed Internet connections. As

technology or software is developed in the future, Franchisor may, in its sole discretion, require you to add to your Computer System memory, ports, and other accessories or peripheral equipment or additional, new, or substitute software, and replace or upgrade your Computer System and software as Franchisor prescribes. You shall acquire, install and maintain such anti-virus and anti-spyware software as Franchisor requires, and shall adopt and implement such Internet user policies as Franchisor may prescribe for purposes of avoiding, blocking, and eliminating viruses and other conditions that interfere with operation of the Computer System.

10.2. Software. You shall: **(a)** use any proprietary software programs, system documentation manuals, and other proprietary materials that Franchisor requires in connection with the operation of the Facial Shop; **(b)** input and maintain in your computer such data and information as Franchisor prescribes in the Manual, software programs, documentation, or otherwise; and **(c)** purchase new or upgraded software programs, system documentation manuals, and other proprietary materials at then-current prices whenever Franchisor adopts such new or upgraded programs, manuals, and materials system-wide. You shall enter into all software license agreements, “terms of use” agreements, and software maintenance agreements, in the form and manner Franchisor prescribes, and pay all fees imposed thereunder.

10.3. Independent Access. Franchisor may independently poll Gross Revenue and other information input and compiled by your Computer System from a remote location. There is no limitation on Franchisor’s right to access this information, nor on Franchisor’s use of the information obtained via such access.

10.4. Preparation and Maintenance of Records. You shall prepare and preserve for at least five years from the date of preparation complete and accurate books, records, and accounts according to generally accepted accounting principles and in the form Franchisor prescribes. In order to obtain System-wide consistent and comparative information, Franchisor may prescribe from time to time, and you agree to abide by and use, such forms, templates, and/or methods for the preparation and submittal of financial and other Facial Shop-related records and information.

10.5. Submission of Financial Statements and Tax Returns. No later than March 30 of each calendar year, you shall provide to Franchisor, in the manner they require and upon request **(a)** a copy of the previous year’s annual profit and loss statements; **(b)** a copy of the previous year’s sales tax returns; and **(c)** a copy of your federal and state income tax returns for the previous year; provided, however, that if you are an individual franchisee, you may submit only those schedules to your personal tax returns which reflect the revenues and expenses of the Franchised Business.

10.6. Submission of Performance Reports. You shall accurately report to Franchisor the Facial Shop’s Gross Revenue, expenses, and such other financial information, as Franchisor may reasonably require, using the procedures, forms, and methods Franchisor prescribes periodically. Reports shall be due on the date prescribed by Franchisor, and shall be signed by an authorized representative, attesting to their accuracy. Within 30 days following the end of each fiscal quarter, you shall provide to Franchisor a copy of your profit and loss statements prepared according to generally accepted accounting principles and which accurately reflect your financial information for the period requested by Franchisor. You also shall provide to Franchisor such other reports, computer back-up and other information that Franchisor may reasonably request.

10.7. Audit of Franchisee Records. Franchisor or its designated agent shall have the right to audit, examine and copy your books, records, accounts, and business tax returns at any time. If an inspection or audit reveals underpayment of amounts owed to Franchisor, you shall immediately pay the understated amount with interest as provided in Section 4.9. If an audit or inspection reveals your understatement of Gross Revenues by 2% or more during any continuous six month period then, in addition to amounts due on the understatement and interest, multiplied by 1.5, you shall promptly reimburse Franchisor all costs and

expenses that it incurred in connection with performing the audit or inspection (including travel, lodging and wage expenses, and attorneys' and accountants' fees).

10.8. Use of Financial Information in Franchise Disclosure Document. You acknowledge and agree that it may be in the best interest of the franchise system to share historical revenue and expense information with prospective franchisees. To that end, you hereby authorize Franchisor to publish information concerning the Facial Shop's Gross Revenues and other information reported to Franchisor in its franchise disclosure document.

10.9. Taxes. You shall promptly pay all taxes due and owing based on your operation of the Facial Shop and the Franchised Business including, without limitation, sales taxes, income taxes, and property taxes.

10.10 Data Security and PCI Compliance. You acknowledge and agree that protection of customer privacy and credit card information is necessary to protect the goodwill of facial shops operating under the Proprietary Marks and System. Accordingly, you agree that you will cause the Facial Shop to meet or exceed, at all times, all applicable security standards developed by the Payment Card Industry Standards Council or its successor, the standards set by applicable privacy laws and regulations, and other regulations and industry standards applicable to the protection of customer privacy and credit card information. You are solely responsible for educating yourself as to these regulations and standards, and for achieving and maintaining applicable compliance certifications. You agree to defend, indemnify, and hold us and our affiliates harmless from and against all claims arising out of or related to your violation of the provisions of this Section 10.10.

## **11. INDEPENDENT CONTRACTOR, INSURANCE AND INDEMNIFICATION**

11.1 Independent Contractor. The parties acknowledge and agree that you are operating the Franchised Business as an independent contractor. Nothing contained in this Agreement shall create or be construed to create a partnership, joint venture, or agency relationship between the parties. Neither party shall have fiduciary obligations to the other, or be liable for the debts or obligations of the other. Neither party shall have the right to bind the other, transact business in the other party's name or in any manner make any promises or representations on behalf of the other party, nor contract any debts or obligations on behalf of the other party, or their affiliates, unless otherwise agreed in writing by the parties. You shall conspicuously identify yourself and the Franchised Business in all dealings with your customers, contractors, suppliers, public officials, and others, as an independent franchisee of Franchisor, and shall place a conspicuous notice, in the form and at such place as Franchisor prescribes, notifying the public of such independent ownership.

### **11.2. Insurance Obligations.**

11.2.1. You shall maintain in full force and effect at all times during the term of this Agreement, at your expense, an insurance policy or policies protecting you, Franchisor and its Affiliates, and their respective partners, shareholders, directors, members, managers, agents, and employees, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense arising or occurring upon or in connection with the operation of the Franchised Business.

11.2.2. Such policy or policies shall: **(a)** be written by insurer(s) licensed and admitted to write coverage in the state in which the Franchised Business is located and with a rating of "A" or better as set forth in the most recent edition of Best's Key Rating Guide; **(b)** name Franchisor and its Affiliates, and their partners, officers, subsidiaries, affiliates, shareholders, directors, managers, members, regional directors, agents, and employees as additional insureds on a primary non-contributory basis, **(c)** the additional insured coverage must be provided on an Additional Insured Grantor of Franchise Endorsement per form CG2029

(or an endorsement form with comparable wording acceptable to Franchisor) as well as through, when applicable, third party coverage endorsement and joint employer coverage endorsement; and **(d)** comply with Franchisor's written requirements at the time such policies are obtained, and provide at least the types and minimum amounts of coverage specified below or as described within Franchisor's written notice to you.

11.2.3. Such policies shall include, at the minimum, the following policies: **(a)** "All risk" or "special" property insurance, covering all real and personal property and equipment on a replacement costs basis, including business interruption and extra expense insurance on an actual loss sustained basis, **(b)** comprehensive general liability insurance, including products and completed operations in an amount of not less than the following combined single limits:\$1,000,000 per occurrence,\$1,000,000 personal and advertising injury,\$1,000,000 completed operations/products aggregate,\$2,000,000 aggregate per location; **(c)** automobile liability coverage, including coverage of owned, non-owned, rented or hired vehicles with coverage in amounts not less than\$1,000,000 combined single limit, **(d)** employment practices liability coverage with a limit of\$500,000 per occurrence and in the aggregate, **(e)** professional liability insurance for all health or beauty licensed professionals with minimum coverage of\$1,000,000 per occurrence, **(f)** workers' compensation insurance for statutory limits, **(g)** employer's liability insurance in an amount not less than\$1,000,000, and **(h)** any insurance as is necessary to comply with all legal requirements concerning insurance coverage for you and your personnel attending Franchisor's training programs. Each year Franchisor may unilaterally modify the insurance minimum coverage requirements which may include an increase to the minimum coverage requirements to reflect changes in inflation or as market conditions warrant.

11.2.4. In connection with any and all insurance that you are required to maintain under Section 11.2., you and your insurers shall agree to waive their rights of subrogation against Franchisor, and you shall provide evidence of such waiver in accordance with this Section 11.2. Franchisor may unilaterally modify these insurance requirements, which modifications may include increasing minimum policy limits, by delivering to you written notice of the change.

11.2.5. Your obligation to obtain and maintain insurance shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 11.3. of this Agreement.

11.2.6. All public liability and property damage policies shall contain a provision that Franchisor and its Affiliates, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor, or its Affiliates, partners, members, managers, shareholders, officers, directors, agents, or employees by reason of your negligence.

11.2.7. At least 10 days prior to the time you are first required to carry insurance, and thereafter at least 30 days prior to the expiration of any policy, you shall deliver to Franchisor certificate of insurance evidencing your compliance with this Article 11.Each certificate of insurance shall expressly provide that no less than 30 days' prior written notice shall be given to Franchisor in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such certificates.

11.2.8. If you fail to procure or maintain these minimum insurance requirements, Franchisor or its designee shall have the right and authority (but not the obligation) to procure such insurance on your behalf. Such right shall be in addition to and not in lieu of any other rights or remedies available to Franchisor. If this occurs, you shall reimburse Franchisor the cost of the premium upon demand.

11.3. Indemnification. You shall indemnify and hold harmless to the fullest extent by law, Franchisor, its Affiliates and their respective directors, officers, managers, members, employees, shareholders, and

agents, (collectively the “**Indemnitees**”) from any and all “**losses and expenses**” (as hereinafter defined) incurred in connection with any litigation or other form of adjudicatory procedure, claim, demand, investigation, or formal or informal inquiry (regardless of whether same is reduced to judgment) or any settlement thereof which arises directly or indirectly from, as a result of, or in connection with your operation of the Franchised Business including, but not limited to, claims arising as a result of the maintenance and operation of vehicles or the Franchised Location (collectively an “**event**”), and regardless of whether same resulted from any strict or vicarious liability imposed by law on the Indemnitees; provided, however, that this indemnity shall not apply to any liability arising from the gross negligence of Indemnitees (except to the extent that joint liability is involved, in which event the indemnification provided in this Agreement shall extend to any finding of comparative negligence or contributory negligence attributable to you). For the purpose of this Section 11.3., the term “**losses and expenses**” shall be deemed to include compensatory, exemplary, or 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 Franchisor's reputation and goodwill; and all other costs associated with any of the foregoing losses and expenses. You shall give Franchisor prompt notice of any event of which you are aware, for which indemnification is required, and, at your expense and risk, Franchisor may elect to assume (but under no circumstance is obligated to undertake) the defense and/or settlement thereof, provided that Franchisor will seek your advice and counsel. Any assumption by Franchisor shall not modify your indemnification obligation. Franchisor may, in its sole and absolute discretion, take such actions as it seems necessary and appropriate to investigate, defend, or settle any event or take other remedial or corrective actions with respect thereof as may be, in Franchisor's sole and absolute discretion, necessary for the protection of the indemnities or the System.

## **12. TRANSFER OF INTEREST**

12.1. Transfer by Franchisor. Franchisor may transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of Franchisor's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all of Franchisor's obligations under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, you expressly affirm and agree that Franchisor and/or its Affiliates may sell their assets, the Proprietary Products, the Proprietary Marks or Copyrighted Works, or the System; may sell securities in a public offering or in a private placement; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a refinancing, recapitalization, leveraged buy-out, or other economic or financial restructuring. With regard to any of the above sales, assignments and dispositions, you expressly and specifically waive any claims, demands or damages arising from or related to the loss of Franchisor's name, the Proprietary Products, the Proprietary Marks (or any variation thereof) and System and/or the loss of association with or identification of Skoah Franchise, LLC as the franchisor under this Agreement. You specifically waive any and all other claims, demands or damages arising from or related to the foregoing merger, acquisition and other business combination activities including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. You agree that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as SKOAH® Facial Shops operating under the Proprietary Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities (which you acknowledge may be proximate to the Franchised Business).

12.2. Transfer by Individual Franchisee to Business Entity for Convenience. If you are an individual, you may transfer your interest in this Agreement to a Business Entity for convenience of operation within the

first 12 months of this Agreement by signing Franchisor's standard form of assignment and assumption agreement if **(a)** the Business Entity is formed solely for purposes of operating the Franchised Business, and **(b)** you provide to Franchisor a copy of the Business Entity's formation and governing documents and a certificate of good standing from the jurisdiction under which the Business Entity was formed. For transfers described in this Section 12.2 you must pay to Franchisor the amount set forth in the Summary Pages.

12.3. Transfer Among Owners; Transfer of Non-Controlling Interest. If you are a Business Entity, your Owners may transfer their ownership interests in the Business Entity among each other, and may transfer up to a Non-Controlling Interest in the Business Entity to one or more third parties, if: **(a)** you have provided to Franchisor advance notice of the transfer, **(b)** Attachment C has been amended to reflect the new ownership; **(c)** each new Owner has signed a Personal Guaranty and Undertaking in the form of Attachment D-1; and **(d)** you pay to Franchisor the transfer fee set forth in the Summary Pages.

12.4. Transfer of Agreement; Transfer of the Franchised Business; Transfer of Controlling Interest. All other transfers (including any sale or transfer of your interest in this Agreement, the sale or transfer of all or substantially all of the assets of the Facial Shop, and the sale of a Controlling Interest in you if you are a Business Entity) require Franchisor's prior written consent and completion of an Intent to Sell form submitted to the Franchisor. Franchisor will not unreasonably withhold its consent to a transfer, but may condition its consent on satisfaction of any or all of the following:

12.4.1. You shall have requested consent in writing and delivered to Franchisor a copy of the proposed transfer agreements, including sale terms, at least 30 days prior to the proposed transfer, and Franchisor has determined, in its sole and reasonable discretion, that the terms of the sale will not materially and adversely affect the post transfer viability of the Franchised Business.

12.4.2. The transferee shall demonstrate to Franchisor's satisfaction that the transferee meets Franchisor's then-current educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business; and has sufficient equity capital to operate the Franchised Business (which condition shall be presumed if the transferee's net worth is equal to or exceeds your net worth at the time of transfer, excluding the value of the Franchised Business);

12.4.3. All of your accrued monetary obligations and all other outstanding obligations to Franchisor, its Affiliates, and third party suppliers shall be up to date, fully paid and satisfied, and you must be in full compliance with this Agreement and any other agreements between you and Franchisor, its Affiliates and your suppliers;

12.4.4. You or the transferee shall have agreed to refurbish the Facial Shop premises so that it meets Franchisor's image requirements for a new SKOAH® Facial Shop;

12.4.5. You and each Owner shall have executed a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its Affiliates and their respective officers, directors, shareholders, managers, members, agents and employees in their corporate and individual capacities, including, without limitation, claims arising under federal, state and local laws, rules and ordinances; provided, however, that any release will not be inconsistent with any state law regulating franchising;

12.4.6. You or the transferee shall have paid the Transfer Fee in the amount set forth in the Summary Pages as well as the current sales commission due to the franchise seller to facilitate the sales process, including disclosure, discovery and validation.

12.4.7. The transferee shall have executed Franchisor's then-current form of franchise agreement, the terms of which may be materially different than the terms of this Agreement and may include, among other things, a different percentage royalty fee and different advertising obligations. The term of such agreement shall be the remaining term of this Agreement at the time of transfer. The transferee shall have the option, however, to purchase a longer term (not to exceed a total of 10 years) by paying an extended term fee ("**Extended Term Fee**") as identified in the Summary Pages.

12.4.8. If the transferee is a Business Entity, then the transferee's Owners each shall sign Franchisor's standard form of Personal Guaranty and Undertaking;

12.4.9. The transferee shall have complied with Franchisor's then-current initial training requirements; and

12.4.10. If Franchisor introduced the buyer to you, you have paid all fees due Franchisor under its then-current franchise resale policy or program.

12.5. Transfers Void. Any purported transfer, by operation of law or otherwise, made without Franchisor's prior written consent will be considered null and void and will be considered a material breach of this Agreement.

12.6. Security Interest. You may grant a security interest in this Agreement or the franchise represented by this Agreement only to the limited extent permitted by Section 9-408 of the Uniform Commercial Code. Any such security interest may only attach to an interest in the proceeds of the operation of the Franchised Business and may not entitle or permit the secured party to take possession of or operate the Franchised Business or to transfer your interest in the franchise without Franchisor's consent.

12.7. Public Offerings. If you are a Business Entity and you intend to issue equity interests pursuant to a public or private offering, you shall first obtain Franchisor's written consent, which consent shall not be unreasonably withheld. You must provide to Franchisor for its review a copy of all offering materials (whether or not such materials are required by applicable securities laws) at least 60 days prior to such documents being filed with any government agency or distributed to investors. No offering shall imply (by use of the Proprietary Marks or otherwise) that Franchisor is participating in an underwriting, issuance or offering of your securities, and Franchisor's review of any offering shall be limited to ensuring compliance with the terms of this Agreement. Franchisor may condition its approval on satisfaction of any or all of the conditions set forth in Section 12.4. and on execution of an indemnity agreement, in a form prescribed by Franchisor, by you and any other participants in the offering. For each proposed offering, you shall pay to Franchisor a retainer in an amount determined by Franchisor, which Franchisor shall use to reimburse itself for the reasonable costs and expenses it incurs (including, without limitation, attorneys' fees and accountants' fees) in connection with reviewing the proposed offering.

12.8. Right of First Refusal. If you receive a bona fide offer to purchase your interest in this Agreement or all or substantially all of the assets of the Franchised Business, or if any Owner receives a bona fide offer to purchase his or her equity interests in you, and you or such Owner wishes to accept such offer, you or the Owner must deliver to Franchisor written notification of the offer and, except as otherwise provided herein, Franchisor shall have the right and option, exercisable within 30 days after receipt of such written notification, to purchase the seller's interest on the same terms and conditions offered by the third party. If the bona fide offer provides for the exchange of assets other than cash or cash equivalents, the bona fide offer shall include the fair market value of the assets and you shall submit with the notice an appraisal prepared by a qualified independent third party evidencing the fair market value of such assets as of the date of the offer. Any material change in the terms of any offer prior to closing shall constitute a new offer subject to the same right of first refusal by Franchisor as in the case of an initial offer. If Franchisor elects

to purchase the seller's interest, closing on such purchase must occur by the later of: **(a)** the closing date specified in the third party offer; or **(b)** within 60 days from the date of notice to the seller of Franchisor's election to purchase. Franchisor's failure to exercise the option described in this Section 12.8. shall not constitute a waiver of any of the transfer conditions set forth in this Article 12.

12.9. Transfer Upon Death or Incapacitation. Upon the death or permanent incapacity (mental or physical) of any person with an interest in this Agreement, in you, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six months after such death or mental incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as an inter vivos transfer, except that the transfer fee shall be waived. In the case of transfer by devise or inheritance, however, if the heirs or beneficiaries of any such person are unable to meet the conditions of this Section 12.9., the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within six months, which disposition shall be subject to all the terms and conditions for transfer contained in this Agreement. If the interest is not disposed of within such period, Franchisor may, at its option, terminate this Agreement, pursuant to Section 13.5.

12.10. Non-Waiver of Claims. Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party, and it will not be deemed a waiver of Franchisor's right to demand strict compliance with any of the terms of this Agreement, or any other agreement to which Franchisor's and the transferee are parties, by the transferee.

### 13. DEFAULT AND TERMINATION

13.1. Termination In the Event of Bankruptcy or Insolvency. You shall be deemed to be in default under this Agreement, and all rights granted to you in this Agreement shall automatically terminate without notice, if you become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by you or such a petition is filed and against you and you do not oppose it; if you are adjudicated as bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver for you or other custodian for your business or assets is filed and consented to by you; if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law is instituted by or against you; if a final judgment remains unsatisfied or of record for 30 days or longer (unless a supersedeas bond is filed); if you are dissolved; if execution is levied against your business or property; if judicial, non-judicial or administrative proceedings to foreclose any lien or mortgage against the Franchised Location premises or assets or equipment is instituted against you and not dismissed within 30 days; or if the real or personal property of the Franchised Business is sold after levy thereupon by any sheriff, marshal, or constable.

13.2. Termination with Notice and Without Opportunity to Cure. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of notice without opportunity to cure if: **(a)** your Managing Owner or General Manager fails to successfully complete training; **(b)** you fail to open a facial shop by the Control Date; **(c)** you abandon the Franchised Business (which will be presumed if you cease operations for three consecutive business days or more); **(d)** you lose any license required to operate the Franchised Business or you lose your right to occupy the Facial Shop premises; **(e)** you or any Owner or General Manager is convicted of, or pleads no contest to, a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System; **(f)** there is any transfer or attempted transfer in violation of Article 12 of this Agreement; **(g)** you or any Owner fails to comply with the confidentiality or non-compete covenants in Section 15.1. of this Agreement; or **(h)** you or any Owner has made any material misrepresentations in

connection with your franchise application; **(i)** you fail to comply with notification requirements set forth in Sections 6.1.(b) or (c) concerning investigations and Crisis Management Events; **(j)** you understate any payment to Franchisor by 2% or more, or understate any such payment in any amount, twice in any two-year period; **(k)** if an imminent threat or danger to public health or safety results from the operation of the Franchised Business; **(l)** you knowingly maintain false books or records or submit any false reports or statements to Franchisor; **(m)** you offer unauthorized products or services from the Facial Shop premises or in conjunction with the Proprietary Marks or Copyrighted Works; **(n)** purchase items for which Franchisor has identified approved or designated supplier or distributor from an unapproved source; **(o)** you fail to pass two or more quality assurance/health inspections within any rolling 12-month period; **(p)** you fail to participate in any advertising or marketing program pursuant to Sections 9.5. or 9.6. on two or more occasions within any rolling 12-month period, or **(q)** Franchisor delivers to you two or more written notices of default pursuant to this Article 13 within any rolling 12-month period, whether or not the defaults described in such notices ultimately are cured.

13.3. Termination with 10-Day Cure Period. Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure the following defaults within 10 days after delivery of written notice: **(a)** failure to obtain or maintain required insurance coverage; **(b)** failure to pay any amounts due to Franchisor; **(c)** you fail to pay any amounts due to your trade creditors (unless such amount is subject to a bona fide dispute); **(d)** you fail to pay any amounts for which Franchisor has advanced funds for or on your behalf, or upon which Franchisor is acting as guarantor of your obligations; **(e)** failure to comply with your minimum monthly local advertising expenditure requirements; **(f)** your violation of any provision of this Agreement concerning the use and protection of the Proprietary Marks or Copyrighted Works; **(g)** your violation of any provision of this Agreement concerning the packaging, service, appearance or quality of SKOAH® products; or **(h)** failure to cure deficiencies determined through a quality assurance inspection.

13.4. Termination with 30-Day Cure Period. Except as otherwise provided in this Article 13, Franchisor has the right to terminate this Agreement, which termination will become effective upon delivery of written notice of termination, if you fail to cure any curable default within 30 days after delivery of written notice.

13.5. Termination Related to Death or Permanent Incapacity. Franchisor has the right to terminate this Agreement if an approved transfer as required by Section 12.9. is not affected within the designated time frame following a death or permanent incapacity (mental or physical).

13.6. Cross-Default. Any default under any agreement between you and Franchisor or its Affiliates, and failure to cure within any applicable cure period, shall be considered a default under this Agreement and shall provide an independent basis for termination of this Agreement.

13.7. Additional Remedies. In addition to, or in lieu of, termination of this Agreement, in its sole discretion, Franchisor may require the Facial Shop be closed during any cure period relating to a default based on public health and safety concerns.

## **14. POST TERMINATION OBLIGATIONS**

14.1. Cease Use of Proprietary Marks and Copyrighted Works; Cancellation of Fictitious Name; Assignment of E-mail Addresses, URLs, Domain Names, Internet Listings. Upon termination or expiration of this Agreement, you shall immediately cease all use of the Proprietary Marks, Copyrighted Works and Confidential Information. You shall cancel any assumed name registration containing the Proprietary Marks. You shall, at Franchisor's option and request, assign to Franchisor all rights to all e-mail addresses, URLs, domain names, Internet listings, and Internet accounts related to the Franchised Business.

14.2. Assignment of Lease; De-Identification. At Franchisor's request, you shall assign to Franchisor or its designee your interest in the lease. If Franchisor does not request assignment of the lease before or as of the date of expiration or termination of this Agreement, then within 10 days after termination or expiration of this Agreement, you shall modify the Facial Shop premises (including, without limitation, the changing of the color scheme and removing of all distinctive design features, including facial shop beds, , facial shop chairs, carts, retail displays and any other materials which can be removed from the premises, and the changing of and assigning to Franchisor of, the telephone numbers) as may be necessary to distinguish the appearance of the Franchised Location from that of other SKOAH® Facial Shops, and shall make such specific additional changes to the Franchised Location as Franchisor may reasonably request for that purpose.

14.3. Return of Manuals and Other Confidential Information. You shall immediately deliver to Franchisor the Manuals and all other manuals, records, correspondence, files, and any instructions containing Confidential Information relating to the operation of the Franchised Business which are in your possession; and all copies thereof (all of which are acknowledged to be the property of Franchisor).

14.4. Franchisor's Right to Purchase, Fixtures, and Tangible Assets. Franchisor shall have the option to purchase any or all of the Facial Shop's leasehold improvements, furniture, fixtures, equipment, inventory, supplies, and interior and exterior signs at their then-current fair market value, to be determined by a qualified independent third party of Franchisor's choosing, and may set off against the purchase price any amounts that you owe to Franchisor. Franchisor shall exercise its option by written notice to you delivered on or before the date of expiration or termination of this Agreement.

## 15. COVENANTS

15.1. Non-Competition During Term of Agreement. You and each Owner acknowledge that you and each Owner will receive valuable specialized training and Confidential Information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques and trade secrets of Franchisor and the System. You and each Owner covenant and agree that during the term of this Agreement, except as otherwise approved in writing by Franchisor, you and, if applicable, such Owner, shall not, either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, or legal entity:

15.1.1. Divert or attempt to divert any present or prospective customer of the Franchised Business to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System.

15.1.2. Employ or seek to employ any person who is or has been within the previous 30 days employed by Franchisor or an Affiliate of Franchisor as a salaried managerial employee, or otherwise directly or indirectly induce such person to leave his or her employment.

15.1.3. Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that engages in facial shop services featuring facial and massage services other than a Facial Shop operated pursuant to a then-currently effective franchise agreement with Franchisor at any location within the United States, its territories or commonwealths, or any other country, province, state or geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks.

15.2. Non-Competition After Expiration or Termination of Agreement. Commencing upon the later of: **(a)** a transfer permitted under Article 12 of this Agreement, expiration of this Agreement, or termination of this Agreement (regardless of the cause for termination) or **(b)** a final court order (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.2., and continuing for an uninterrupted period of two years thereafter, you shall not either directly or indirectly, for yourselves, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business that engages in facial shop services featuring other than a Facial Shop operated pursuant to a then-currently effective franchise agreement with Franchisor, and **(i)** is, or is intended to be, located at the location of the former Franchised Business; or **(ii)** within a 20-mile radius of the Facial Shop or any other facial shop operating under the System and Proprietary Marks in existence or under development at the time of such expiration, termination or transfer. If any Owner ceases to be an Owner of the Franchisee for any reason during the franchise term, the foregoing covenant shall apply to the departing Owner for a two-year period beginning on the date such person ceases to meet the definition of an Owner. The obligations described in this Section 15.2. shall be tolled during any period of noncompliance.

15.3. Additional Provisions. The parties acknowledge and agree that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 15.1. and 15.2., or any portion thereof, without your consent or the consent of any Owner, effective immediately upon delivery of written notice to the affected party; and you and each Owner agree that such person shall comply forthwith with any covenant as so modified. You and each Owner expressly agree that the existence of any claims you may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants in this Article 15. You agree to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Article 15.

15.4. Covenants from Individuals. Each individual who attends Franchisor's training program shall be required to sign a confidentiality and non-competition agreement substantially in the form attached as Attachment D-2 to this Agreement. You shall be responsible for ensuring compliance with such agreement.

15.5. Breach of Covenants Causes Irreparable Injury. You acknowledge that your violation of any covenant of this Article 15 would result in irreparable injury to Franchisor for which no adequate remedy at law may be available, and you consent to the issuance of, and agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining, without the posting of any bond, an ex parte or other order for injunctive or other legal or equitable relief with respect to such conduct or action.

15.6. Exception for Publicly Held Companies. The foregoing restrictions shall not apply to your ownership or any Owner's ownership of less than a 5% beneficial interest in the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.7. Improvements. If you, your employees, or Owners develop any new concept, process or improvement in the operation or promotion of SKOAH® Facial Shop (an "**Improvement**"), you agree to promptly notify Franchisor and provide Franchisor with all necessary related information, without compensation. Any such Improvement shall become Franchisor's sole property and Franchisor shall be the sole owner of all related patents, patent applications, and other intellectual property rights. You and your Owners hereby assign to Franchisor any rights you or your Owners may have or acquire in the Improvements, including the right to modify the Improvement, and waive and/or release all rights of restraint and moral rights therein and thereto. You and your Owners agree to assist Franchisor in obtaining and enforcing the intellectual property rights to any such Improvement in any and all countries and further agree to execute and provide Franchisor with all necessary documentation for obtaining and enforcing such

rights. You and your Owners hereby irrevocably designate and appoint Franchisor as agent and attorney-in-fact for you and for them to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property right related to any such Improvement. In the event that the foregoing provisions of this Section 15.7. are found to be invalid or otherwise unenforceable, you and your Owners hereby grant to Franchisor a worldwide, perpetual, non-exclusive, fully paid license to use and sublicense the use of the Improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on you or your Owners' rights therein.

## **16. REPRESENTATIONS**

16.1. Representations of Franchisor. Franchisor represents and warrants that **(a)** Franchisor is duly organized and validly existing under the law of the state of its formation; **(b)** Franchisor is duly qualified and authorized to do business in each jurisdiction in which its business activities or the nature of the properties it owns requires such qualification; and **(c)** the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within Franchisor's corporate power and have been duly authorized.

### **16.2. Representations of Franchisee.**

16.2.1. You represent and warrant that the information set forth in Attachment C, incorporated by reference hereto, is accurate and complete in all material respects. You shall notify Franchisor in writing within 10 days of any change in the information set forth in Attachment C. You further represent to Franchisor that **(a)** you are duly organized and validly existing under the law of the state of your formation; **(b)** you are duly qualified and authorized to do business in each jurisdiction in which your business activities or the nature of the properties you own require such qualification; and **(c)** your corporate charter or written partnership or limited liability company agreement, as applicable, will at all times provide that your activities are confined exclusively to the operation of the Franchised Business. You warrant and represent that neither you nor any of your Affiliates or Owners own, operate or have any financial or beneficial interest in any business that is the same as or similar to SKOAH® Facial Shop; and the execution of this Agreement and the performance of the transactions contemplated by this Agreement are within your corporate power, or if you are a partnership or a limited liability company, are permitted under your written partnership or limited liability company agreement and have been duly authorized.

16.2.2. You acknowledge that you have conducted an independent investigation of SKOAH® franchise opportunity, and recognize that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent on your ability as an independent businessperson.

16.2.3. Except for representations contained in Franchisor's Franchise Disclosure Document provided to you in conjunction with this franchise offering, you represent that neither Franchisor nor its agents or representations have made any representations.

16.2.4. You acknowledge that you have received a complete copy of Franchisor's Franchise Disclosure Document at least 14 calendar days before you signed this Agreement or paid any consideration to Franchisor for your franchise rights.

16.2.5. You acknowledge that you have read and that you understand the terms of this Agreement and its Attachments, and that you have had ample time and opportunity to consult with an attorney or business advisor of your choice about the potential risks and benefits of entering into this Agreement.

16.2.6. You represent that neither your property nor any interest in your property, nor the property of any of your Owners, officers, directors, managers, members, partners, agents or employees, or their respective interests therein, have been blocked pursuant to Executive Order 13224 of September 23, 2001, pertaining to persons who commit, threaten to commit, or support terrorism (“**Blocked Persons**”). You represent and warrant to Franchisor that you will not accept money from or employ any Blocked Person.

## 17. NOTICES

17.1. Notices. All notices or demands shall be in writing and shall be served in person, by Express Mail, by certified mail; by private overnight delivery; or by facsimile or other electronic system. Service shall be deemed conclusively made **(a)** at the time of service, if personally served; **(b)** 24 hours (exclusive of weekends and national holidays) after deposit in the United States mail, properly addressed and postage prepaid, if served by Express Mail; **(c)** upon the earlier of actual receipt or three calendar days after deposit in the United States mail, properly addressed and postage prepaid, return receipt requested, if served by certified mail; **(d)** 24 hours after delivery by the party giving the notice, statement or demand if by private overnight delivery; and **(e)** at the time of transmission by telecopier, if such transmission occurs prior to 5:00 p.m. on a Business Day and a copy of such notice is mailed within 24 hours after the transmission. Notices and demands shall be given to the respective parties at the addresses set forth on the Summary Pages, unless and until a different address has been designated by written notice to the other party. Either party may change its address for the purpose of receiving notices, demands and other communications as in this Agreement by providing a written notice given in the manner aforesaid to the other party.

## 18. CONSTRUCTION

18.1. Entire Agreement. This Agreement and any other agreements executed by the parties concurrently with the parties’ execution of this Agreement represent the entire fully integrated agreement between the parties and supersede all other negotiations, agreements, representations, and covenants, oral or written. Notwithstanding the foregoing, nothing in this Agreement shall disclaim or require you to waive reliance on any representation that Franchisor made in the Franchise Disclosure Document (including its Exhibits and amendments) that Franchisor delivered to you in connection with this franchise offering. Except for those changes permitted to be made unilaterally by Franchisor hereunder, no amendment, change or variance from this Agreement shall be binding on either party unless mutually agreed to in writing by the parties and executed by their authorized officers or agents.

18.2. No Waiver. No waiver or modification of this Agreement or of any covenant, condition, or limitation herein contained shall be valid unless the same is made in writing and duly executed by the party to be charged therewith. No evidence of any waiver or modification shall be offered or received in evidence in any proceeding, arbitration, or litigation between the parties arising out of or affecting this Agreement, or the rights or obligations of any party hereunder, unless such waiver or modification is in writing, duly executed as aforesaid.

18.3. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

18.4. Survival of Terms. Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

18.5. Definitions and Captions. Unless otherwise defined in this body of this Agreement, capitalized terms shall have the meaning ascribed to them in Attachment A (“**Glossary of Additional Terms**”). All

captions in this Agreement are intended for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision of this Agreement.

18.6. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each Owner shall execute the Personal Guaranty and Undertaking attached as Attachment D-1. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person's obligations hereunder and under the Personal Guaranty and Undertaking.

18.7. Rules of Construction. Neither this Agreement nor any uncertainty or ambiguity in this Agreement shall be construed or resolved against the drafter of this Agreement, whether under any rule of construction or otherwise. Terms used in this Agreement shall be construed and interpreted according to their ordinary meaning. If any provision of this Agreement is susceptible to two or more meanings, one of which would render the provision enforceable and the other(s) which would render the provision unenforceable, the provision shall be given the meaning that renders it enforceable.

18.8. Timing. Time is of the essence with respect to all provisions in this Agreement. Notwithstanding the foregoing, if performance of either party is delayed on account of a Force Majeure, the applicable deadline for performance shall be extended for a period commensurate with the Force Majeure, but not to exceed 12 months.

## **19. APPLICABLE LAW; DISPUTE RESOLUTION**

19.1. Choice of Law. This Agreement and all claims arising out of or related to this Agreement or the parties' relationship created hereby shall be construed under and governed by the laws of the State of Michigan (without giving effect to any conflict of laws).

### **19.2. Mediation.**

19.2.1. The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor, you, and each Owner agree to submit any claim, controversy or dispute between Franchisor or its Affiliates (and Franchisor's and its Affiliate's respective owners, officers, directors, agents, representatives and/or employees) and you or your Affiliates (and your Owners, agents, representatives and/or employees) arising out of or related to **(a)** this Agreement or any other agreement between Franchisor and you, **(b)** Franchisor's relationship with you, or **(c)** the validity of this Agreement or any other agreement between Franchisor and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal.

19.2.2. The mediation shall be conducted by a mediator agreed upon by Franchisor and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

19.2.3. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring a legal proceeding pursuant to Section 19.3. The parties agree that statements made

during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

19.2.4. Notwithstanding the foregoing provisions of this Section 19.2.4., the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to Franchisor pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("**Excepted Claims**"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

19.3. Arbitration. Except for any Excepted Claims which either party has the right to bring in any court of competent jurisdiction, you and we agree to submit any claim, controversy or dispute (collectively, "**Dispute**") between us or any of our affiliates (and/or their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and/or your owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to **(a)** this Agreement or any other agreement between us and you, **(b)** our relationship with you, **(c)** the validity of this Agreement or any other agreement between us and you, or **(d)** any System standard, to arbitration.

The parties agree that notwithstanding anything to the contrary in this Agreement, Disputes shall be submitted to binding arbitration in accordance with this Section 19.3. The arbitration shall be conducted through the American Arbitration Association ("**AAA**") and in accordance with the AAA's Commercial Arbitration Rules ("**Rules**"). The arbitration shall be conducted by one (1) arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the sessions with respect to the admissibility of evidence. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof and will be final, binding and non-appealable, except as set forth below. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The place of arbitration shall be in the county in which Franchisor maintains its principal business offices at the time of arbitration, currently set in Washtenaw County, Michigan, unless otherwise mutually agreed between the parties. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Section 19.8. The arbitrator, in the conduct of the arbitration, shall not have the authority to declare any Proprietary Mark generic or otherwise invalid and, to the fullest extent permitted by law, each party waves any right to or claim for any punitive, exemplary, incidental or consequential damages against the other. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The parties agree that all Disputes submitted to arbitration shall be conducted on an individual, and not a class wide, basis, and that only Franchisor (and its affiliates and its and their respective owners, officers, directors, agents and employees, as applicable) and Franchisee (and its affiliates and its and their respective owners, guarantors, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section 19.3., and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity.

If any party to an arbitration wishes to appeal any final award by the arbitrator, such party may appeal, within thirty (30) days of such final award, to a different arbitrator appointed in the same manner as set forth above. The issues on appeal will be limited to the proper application of the law to the facts found at

the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must have paid for a court reporter to make a written record of the arbitration hearing and must pay all costs charged by such appeal panel, as well as posting any bond deemed appropriate by the appeal panel. Any party that does not pay for or share in the payment for a transcript of the arbitration hearing cannot challenge any ruling by the arbitrator on appeal, even if the opposing party does appeal.

19.4. Non-exclusivity of Remedy. No right or remedy conferred upon or reserved to Franchisor or you by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy in this Agreement or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

**19.5. WAIVER OF JURY TRIAL. FRANCHISOR AND YOU IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

19.6. WAIVER OF PUNITIVE DAMAGES. THE PARTIES HEREBY WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT.

19.7. Right to Injunctive Relief. Nothing in this Agreement contained shall bar Franchisor's right to seek injunctive relief from any court of competent jurisdiction; and you agree to pay all costs and reasonable attorneys' fees incurred by Franchisor in obtaining such relief.

19.8. Attorneys' Fees. If either party commences a legal action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to have and recover from the other party its reasonable attorneys' fees and costs of suit.

19.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one agreement.

**IN WITNESS WHEREOF**, the parties have executed this Agreement on the dates noted below, but effective for all purposes as of the Effective Date.

**FRANCHISOR:**

**FRANCHISEE:**

SKOAH FRANCHISE, LLC

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

By: \_\_\_\_\_  
NAME, TITLE

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**  
**ATTACHMENT A**

**GLOSSARY OF ADDITIONAL TERMS**

“**Account**” means your commercial bank operating account.

“**Affiliate**” means an affiliate of a named person identified as any person or entity that is controlled by, controlling or under common control with such named person.

“**Agreement**” means the Franchise Agreement.

“**Business Day**” means each day other than a Saturday, Sunday, U.S. holiday or any other day on which the Federal Reserve is not open for business in the United States.

“**Business Entity**” means any person with the power to enter into contracts, other than a natural person. The term includes a corporation, limited liability company, limited partnership, and trust.

“**Confidential Information**” means all trade secrets, and other elements of the System; all customer information; all information or data stored or entered into the POS system; all information contained in the Manuals; Franchisor’s standards and specifications for all services and products offered at SKOAH® Facial Shops; financial information; marketing data; vendor and supplier information; all other knowledge, trade secrets, or know-how concerning the methods of operation of the Franchised Business which may be communicated to you, or of which you may be apprised, by virtue of their operation under the terms of the Franchise Agreement, and all other information that Franchisor designates.

“**Control Date**” means the date specified in the Summary Pages and Attachment B which is the date by which you must open a facial shop at a site accepted by Franchisor for the development of the Facial Shop.

“**Copyrighted Works**” means works of authorship which are owned by Franchisor and fixed in a tangible medium of expression including, without limitation, the content of the Manual, the design elements of the Proprietary Marks, Franchisor’s product packaging, and advertising and promotional materials, and the content and design of Franchisor’s Website and advertising and promotional materials.

“**Crisis Management Event**” means any event that occurs at or about the Facial Shop premises or in connection with the operation of the Franchised Business that has or may cause harm or injury to customers or employees, such as contagious diseases, natural disasters, terrorist acts, shootings or other acts of violence, or any other circumstance which may materially and adversely affect the System, or the goodwill symbolized by the marks.

“**Force Majeure**” means acts of God (such as tornadoes, earthquakes, hurricanes, floods, fire or other natural catastrophe); strikes, lockouts or other industrial disturbances; war, terrorist acts, riot or other civil disturbance; epidemics; or other similar forces which could not, by the exercise of reasonable diligence, have been avoided; provided, however, that neither an act or failure to act by a government authority, nor the performance, nonperformance, or exercise of rights by your lender, contractor, or other person qualifies as a Force Majeure unless the act, failure to act, performance, non-performance, or exercise of rights resulted from a Force Majeure. Your financial inability to perform or your insolvency is not a Force Majeure.

**“Gross Revenue”** means the aggregate of: **(a1)** all revenue from the sale of products and services, whether made for cash, on credit, or otherwise, without reserve or deduction for inability or failure to collect, that you, in the normal course of your operations would credit or attribute to the operation of a SKOAH® Facial Shop; **(b)** all monies, trade value or other things of value that you receive from Facial Shop operations at, in, or from the Facial Shop premises that are not expressly excluded from Gross Revenue; and **(c)** business interruption insurance proceeds. Gross Revenue does not include: **(i)** the exchange of merchandise between SKOAH® Facial Shops (if you operate multiple Facial Shops) if the exchanges are made solely for the convenient operation of your business and not for the purpose of depriving us of the benefit of a sale that otherwise would have been made at, in, on or from the Facial Shop premises; **(ii)** returns to shippers, vendors, or manufacturers; **(iii)** sales of fixtures or furniture after being used in the conduct of the Franchised Business; **(iv)** cash or credit refunds for transactions included within Gross Revenue (limited, however, to the selling price of merchandise returned by the purchaser and accepted by you); **(v)** the amount of any city, county, state or federal sales, luxury or excise tax on such sales that is both **(1)** added to the selling price or absorbed therein and **(2)** paid to the taxing authority by you. Customer refunds may be deducted from Gross Revenue if the charge was previously included in Gross Revenue.

**“General Manager”** means an individual who Franchisee has designated, and Franchisor has approved, who has full control over the day-to-day management and operations of the Facial Shop, who has completed Franchisor’s initial training program and all additional training (including continuing education requirements for certified or licensed General Managers) that Franchisor requires, to Franchisor’s satisfaction, and who devotes his or her full-time best efforts to Facial Shop management and operations.

**“Manuals”** means manuals to which the franchisee has been provided access by Franchisor.

**“Managing Owner”** means the Owner appointed as the primary overseer of the operation of the franchised business and who holds a minimum 10% ownership interest in the franchisee. The Managing Owner may also be the General Manager.

**“Owner”** means each individual or entity holding a beneficial ownership in the franchisee. It includes all shareholders of a corporation, all members of a limited liability company, all general and limited partners of a limited partnership, and the grantor and the trustee of the trust.

**“Proprietary Marks”** means certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “SKOAH” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System.

**“Manual”** means the compilation of information and knowledge that is necessary and material to the System. The term Manual, as used in this Agreement, includes all publications, materials, drawings, memoranda, videotapes, CDs, DVDs, MP3s, and other electronic media that Franchisor from time to time may loan to you. The Manual may be supplemented or amended from time to time by letter, electronic mail, bulletin, videotape, CD, DVD, MP3, or other communications concerning the System to reflect changes in the image, specifications, and standards relating to developing, equipping, furnishing, and operating a SKOAH® Facial Shop.

**“Facial Shop”** means a physical structure, identified by the name SKOAH®, which is separated from other businesses by one or more exterior walls or interior demising walls, and at which facial and massage services are performed and where approved retail items such as Private Label Products are provided. The term "Facial Shop" also includes facilities located in Closed Markets regardless of any differences (for example in offering, footprint, or structure) to other SKOAH® Facial Shops.

**“System”** means a distinctive system relating to the establishment, development and operation of a business that provides skin care services (primarily facials), skin and body care products, cosmetics, and related products and services to both the general public and through a membership-based program under the trade name and trademark SKOAH®.

**“You”** means the franchisee identified above and its successors and assigns.

**SKOAH FRANCHISE, LLC  
FRANCHISE AGREEMENT**

**ATTACHMENT B**

**THE SITE SELECTION AREA, CONTROL DATE, FRANCHISED LOCATION,  
AND THE PROTECTED AREA**

Section 3.1. The Site Selection Area is: \_\_\_\_\_

**IN WITNESS WHEREOF**, the parties have executed this Attachment B on \_\_\_\_\_.

**FRANCHISOR:**

**FRANCHISEE:**

SKOAH FRANCHISE, LLC

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

By: \_\_\_\_\_  
NAME, TITLE

As of the date set forth below, the Franchise Location has been determined and, as such, Attachment B is supplemented as follows:

Section 1.1.2. The Franchised Location is at: \_\_\_\_\_

Section 3.5.1. The Control Date is: The first anniversary of the Effective Date

Section 1.2. The Protected Area is: \_\_\_\_\_  
the radius required to contain up to 75,000 individuals, not to exceed three miles, currently.

The Protected Area excludes all Closed Markets within such area. A "**Closed Market**" is any facility serving a captive market, including hotels, resorts, airports, public facilities, college and school campuses, military bases, and any other mass gathering events or locations, and facilities of any kind for which facial shop services and other related services rights are, or may reasonably be anticipated to be, contracted to a third party or parties.

If the Protected Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Protected Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

*[The Signature Page Follows]*

IN WITNESS WHEREOF, the parties have supplemented this Attachment B on \_\_\_\_\_.

**FRANCHISOR:**

SKOAH FRANCHISE, LLC

By: \_\_\_\_\_  
NAME, TITLE

**FRANCHISEE:**

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

**SKOAH FRANCHISE, LLC  
FRANCHISE AGREEMENT  
ATTACHMENT C**

**ENTITY INFORMATION**

If the franchisee is an entity, you represent and warrant that the following information is accurate and complete in all material respects as of \_\_\_\_\_.

(1) Franchisee is a \_\_\_\_\_, formed under the laws of the State of \_\_\_\_\_.

(2) You shall provide to Franchisor concurrently with the execution hereof true and accurate copies of the franchisee's charter documents and governing documents including Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, resolutions authorizing the execution hereof, and any amendments to the foregoing.

(3) You promptly shall provide such additional information as Franchisor may from time-to-time request concerning all persons who may have any direct or indirect financial interest in the franchisee entity.

(4) The name and address of each of Owner:

| NAME  | ADDRESS | NUMBER OF SHARES OR<br>PERCENTAGE INTEREST |
|-------|---------|--------------------------------------------|
| _____ | _____   | _____                                      |
| _____ | _____   | _____                                      |
| _____ | _____   | _____                                      |
| _____ | _____   | _____                                      |

(5) The address where the Franchisee's financial records, and other records (e.g., Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

\_\_\_\_\_.

**FRANCHISOR:**

SKOAH FRANCHISE, LLC

**FRANCHISEE:**

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

By: \_\_\_\_\_  
NAME, TITLE

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

**ATTACHMENT D-1**

**PERSONAL GUARANTY AND UNDERTAKING**

1. I have read the Franchise Agreement between Skoah Franchise, LLC and \_\_\_\_\_ (the “**Franchisee**”).
2. I own a beneficial interest in the Franchisee, and would be considered an “**Owner**” within the definition contained in the Franchise Agreement.
3. I understand that, were it not for this Personal Guaranty and Undertaking (the “**Guaranty**”), Franchisor would not have agreed to enter into the Franchise Agreement with the Franchisee.
4. I will comply with of the provisions contained in Article 7 of the Franchise Agreement concerning the Franchisee’s use of Franchisor’s Proprietary Marks and Copyrighted Works (as each term is defined in the Franchise Agreement). I understand that, except for the license granted to the Franchisee, I have no individual right to use the Proprietary Marks or Copyrighted Works and I have no ownership interest in the Proprietary Marks or Copyrighted Works.
5. I will comply with all of the provisions contained in Article 8 of the Franchise Agreement concerning the use of the Confidential Manuals and Information. I will maintain the confidentiality of all Confidential Information disclosed to me. I agree to use the Confidential Information only for the purposes authorized under the Franchise Agreement. I further agree not to disclose any of the Confidential Information, except **(a)** to the Franchisee’s employees on a need-to-know basis, **(b)** to the Franchisee’s and my legal and tax professionals to the extent necessary for me to meet my legal obligations, and **(c)** as otherwise may be required by law.
6. I will comply with all of the provisions contained in Article 12 of the Franchise Agreement concerning the transfer of my ownership interest in the Franchisee.
7. While I am an Owner of the Franchisee and, for a two-year period after I cease to be an Owner (or two years after termination or expiration (without renewal) of the Franchise Agreement, whichever occurs first), I will not:
  - (a)** Divert or attempt to divert any present or prospective customer of SKOAH® Facial Shop to any competitor or do anything to harm the goodwill associated with the Proprietary Marks and the System;
  - (b)** Employ or seek to employ any person who is or has been within the previous 30 days employed by Franchisor or an Affiliate of Franchisor as a salaried managerial employee, or induce such person to leave his or her employment; or
  - (c)** Own, maintain, advise, operate, engage in, be employed by, make loans to, invest in, provide any assistance to, or have any interest in (as owner or otherwise) or relationship or association with, any business that engages in facial shop services other than a Facial Shop operated pursuant to a then-currently effective franchise agreement. This restriction shall apply, while I am an Owner, to any location within the United States, its territories or commonwealths, or any other country, province, state or

geographic area in which Franchisor or its Affiliates have used, sought registration of or registered the Proprietary Marks or similar marks or operate or license others to operate a business under the Proprietary Marks or similar marks. It will apply for two years after I cease to be an Owner (or two years after termination or expiration of the Franchise Agreement, whichever occurs first) to any location that **(i)** is, or is intended to be, located at the location of the former Franchised Business; or **(ii)** within a 20-mile radius of the Franchised Location or any other facial shop operating under the System and Proprietary Marks in existence or under development at the time I cease being an Owner (or termination or expiration of the Franchise Agreement, whichever occurs first). This restriction will be tolled during any period of my noncompliance.

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

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

10. I agree that the provisions contained in Article 19 of the Franchise Agreement will apply to any dispute arising out of or relating to this Guaranty. If Franchisor brings any legal action to enforce its rights under this Guaranty, I will reimburse Franchisor its reasonable attorneys' fees and costs.

11. I hereby guarantee the prompt and full payment of all amounts owed by the Franchisee under the Franchise Agreement, except for damages in the nature of lost profits or lost future royalties caused by the premature termination of the Franchise Agreement or early closure of SKOAH® Facial Shop. I understand that I am not personally responsible for any lost profits or lost future royalties that Franchisor may incur based on the premature termination of the Franchise Agreement or early closure of SKOAH® Facial Shop.

12. I will pay all amounts due under this Guaranty within 14 days after receiving notice from Franchisor that the Franchisee has failed to make the required payment. I understand and agree that Franchisor need not exhaust its remedies against the Franchisee before seeking recovery from me under this Guaranty.

13. No modification, change, impairment, or suspension of any of Franchisor's rights or remedies shall in any way affect any of my obligations under this Guaranty. If the Franchisee has pledged other security or if one or more other persons have personally guaranteed performance of the Franchisee's obligations, I agree that Franchisor's release of such security will not affect my liability under this Guaranty.

14. I hereby waive **(a)** all rights described in California Civil Code Section 2856(a)(1)-(2), inclusive, which includes, without limitation, any rights and defenses which are or may become available to the undersigned by reason of California Civil Code Sections 2787 to 2855, inclusive; and **(b)** California Civil Code Sections 2899 and 3433.

15. **I WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, INVOLVING FRANCHISOR, WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THE FRANCHISE AGREEMENT, THE PERFORMANCE OF ANY PARTY UNDER THE FRANCHISE AGREEMENT, AND/OR THE OFFER OR GRANT OF THE FRANCHISE.**

16. I understand that Franchisor's rights under this Guaranty shall be in addition to, and not in lieu of, any other rights or remedies available to Franchisor under applicable law.

17. I agree that any notices required to be delivered to me will be deemed delivered at the time delivered by hand; one Business Day after electronically confirmed transmission by facsimile or other electronic system; one Business Day after delivery by Express Mail or other recognized, reputable overnight courier; or three Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid and addressed to the address identified on the signature line below. I may change this address only by delivering to Franchisor written notice of the change.

Intending to be legally bound, I have executed this Personal Guaranty and Undertaking on the date set forth below:

#### **GUARANTOR**

Dated: \_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Fax: \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Fax: \_\_\_\_\_

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**  
**ATTACHMENT D-2**

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**  
**(for trained employees of Franchisee)**

In accordance with the terms of this Confidentiality and Non-Competition Agreement (“**Confidentiality Agreement**”) and in consideration of my being a \_\_\_\_\_ of \_\_\_\_\_ (the “**Franchisee**”), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I hereby acknowledge and agree that:

1. \_\_\_\_\_ doing business as \_\_\_\_\_ (the “**Franchisee**”), has acquired the right and franchise from Skoah Franchise, LLC (“**Franchisor**”) to establish and operate a Franchised Business (the “**Franchised Business**”) and the right to use in the operation of the Franchised Business Franchisor’s trade names, trademarks, service marks, including the service mark SKOAH® (the “**Proprietary Marks**”) and the system developed by Franchisor and/or its affiliates for operation and management of Facial Shops (the “**System**”), as they may be changed, improved, and further developed from time to time in Franchisor’s sole discretion.

2. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, which includes the Manuals, trade secrets, and copyrighted materials, methods, and other techniques and know-how (the “**Confidential Information**”).

3. Any and all manuals, trade secrets, copyrighted materials, methods, information, knowledge, know-how, and techniques which Franchisor specifically designates as confidential shall be deemed to be Confidential Information for purposes of this Confidentiality Agreement.

4. As \_\_\_\_\_ of the Franchisee, Franchisor and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, Franchisor’s operations manual (the “**Manual**”) and other general assistance during the term of this Confidentiality Agreement.

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

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

7. Except as otherwise approved in writing by Franchisor, I shall not, while in my position with the Franchisee and for a continuous uninterrupted period commencing upon the cessation or termination of my position with Franchisee, regardless of the cause for termination, and continuing for a two (2) year period thereafter, either directly or indirectly, for myself or through, on behalf of, or in conjunction with any other

person, partnership, corporation, or other limited liability company own, maintain, engage in, be employed by, advise, assist, invest in, franchise, make loans to, or have any interest in any business that engages in facial shop services within a 20-mile radius of any SKOAH® Facial Shop, as that term is defined in the Franchise Agreement. This restriction does not apply to my ownership of less than five percent beneficial interest in the outstanding securities of any publicly held corporation.

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

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

10. Franchisor is a third-party beneficiary of this Confidentiality Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Confidentiality Agreement will cause Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisee and/or Franchisor may apply for the issuance of an injunction preventing me from violating this Confidentiality Agreement, and I agree to pay the Franchisee and Franchisor all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Confidentiality Agreement is enforced against me. Due to the importance of this Confidentiality Agreement to the Franchisee and Franchisor, any claim I have against the Franchisee or Franchisor is a separate matter and does not entitle me to violate, or justify any violation of this Confidentiality Agreement.

11. This Confidentiality Agreement shall be construed under the laws of the State of Michigan. The only way this Confidentiality Agreement can be changed is in writing signed by both the Franchisee and me.

12. With respect to all claims, controversies and disputes, I irrevocably consent to personal jurisdiction and submit myself to the jurisdiction of the state courts located in Washtenaw County, Michigan, and the United States District Court for the Eastern District of Michigan. I acknowledge that this Confidentiality Agreement has been entered into in the state of Michigan, and that I am to receive valuable information emanating from Franchisor's offices in Ann Arbor, Michigan. In recognition of the information and its origin, I hereby irrevocably consent to the personal jurisdiction of the state and federal courts of Michigan as set forth above. Notwithstanding the foregoing, I acknowledge and agree that Franchisor or the Franchisee may bring and maintain an action against me in any court of competent jurisdiction for injunctive or other extraordinary relief against threatened conduct that will cause it loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary and permanent injunctions.

THE PARTIES HERETO, INTENDING TO BE LEGALLY BOUND, HAVE EXECUTED THIS CONFIDENTIALITY AGREEMENT AS OF THE DATES NOTED BELOW.

**[EMPLOYEE]**

Signature:\_\_\_\_\_

Name:\_\_\_\_\_

Address:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

**ACKNOWLEDGED BY FRANCHISEE**

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

**SKOAH FRANCHISE, LLC  
FRANCHISE AGREEMENT  
ATTACHMENT E**

**ACH AUTHORIZATION  
AUTHORIZATION AGREEMENT FOR DIRECT PAYMENTS (ACH DEBITS)**

Please complete and sign this form.

**Franchisee Information**

Franchisee Name or Legal Entity \_\_\_\_\_

SKOAH® Facial Shop Number & Location \_\_\_\_\_

Name and Email of Person to Receive ACH Debit Advice \_\_\_\_\_

**I (we) hereby authorize Skoah Franchise, LLC (“Company”) to make regular and occasional ACH withdrawals from my (our) account at the financial institution named below. I also authorize the Company to initiate direct deposits into this account in the event that a debit entry is made in error. I (we) acknowledge that the origination of ACH transactions to or from my (our) account must comply with the provisions of U.S. law.**

**Without limited the forgoing, I expressly authorize Company the right to withdraw: and Royalty fee, Technology fee, Marketing fee, and any other amount owed to Company. I agree to indemnify the Company for any loss arising in the event that any withdrawals from my (our) account shall be dishonored, whether with or without cause and whether intentionally or inadvertently.**

**This agreement will remain in effect until the Company has received advanced written notice of cancellation from me (us) in such time and in such manner as to afford the Company a reasonable opportunity to act on it, and in no event shall such notice period be less than thirty (30) days.**

**Payor/Franchisee Account Information**

Name of Financial Institution: \_\_\_\_\_

ABA Routing Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

Checking

Savings

☐☐

**Payor/Franchisee Signature**

Authorized Signature \_\_\_\_\_ Date \_\_\_\_\_  
(Primary): \_\_\_\_\_ :

Authorized Signature (Joint): \_\_\_\_\_ Date \_\_\_\_\_  
:

Account holder(s), please sign here: *(Joint accounts require the signature of all persons having authority over the account)*

Please attach a voided check at right, scan or mail to:

Skoah Franchise, LLC,

Attn: Accounting

4370 Varsity Drive

Ann Arbor, MI 48108

ATTACH CHECK HERE

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**  
**ATTACHMENT F**

**LEASE ADDENDUM**

THIS LEASE ADDENDUM (the “**Lease Addendum**”) is made and entered into as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (“**Landlord**”), with its principal offices at \_\_\_\_\_ and \_\_\_\_\_ (“**Franchisee**” or “**Tenant**”), with its principal offices at \_\_\_\_\_, and Skoah Franchise, LLC (“**Franchisor**”) with its principal offices at 4370 Varsity Dr. Suite G, Ann Arbor, MI 48108.

**BACKGROUND**

- A. Skoah Franchise, LLC or its affiliates, and their successors or assigns (“**Franchisor**”) franchises the operation of an upscale facial shop, (each “**SKOAH® Facial Shop**” or “**Facial Shop**”) featuring skin care services (primarily facials), skin and body care products, cosmetics, and related products and services. under the name SKOAH® and/or other trademarks, service marks, logos, and other indicia of origin prescribed by Franchisor (collectively, the “**Proprietary Marks**”).
  - B. Franchisee has acquired the right and has undertaken the obligation to develop and operate SKOAH® Facial Shop pursuant to the terms and conditions of a certain franchise agreement between Franchisee and Franchisor (“**Franchise Agreement**”).
  - C. Under the terms and conditions of the Franchise Agreement, Franchisor has the right to approve the site for the Facial Shop; and if the Facial Shop premises will be occupied pursuant to a commercial lease, Franchisor has prescribed certain lease terms and has the right to condition its approval of a proposed site on inclusion of the prescribed lease terms.
  - D. Franchisee desires, and has requested Franchisor’s approval, to develop and operate one SKOAH® Facial Shop at the premises (“**Premises**”) identified in the attached lease (“**Lease**”).
  - E. Landlord desires to lease to Franchisee the Premises for purposes of developing and operating one SKOAH® Facial Shop.
  - F. The parties desire to modify and amend the Lease in accordance with the terms and conditions contained herein for purposes of obtaining Franchisor’s approval.
- (1) During the term of the Franchise Agreement, the Premises will be used only for the operation of the Facial Shop.
- (2) Landlord consents to Franchisee’s use of such Proprietary Marks and signs, interior and exterior décor, furnishings, fixtures, items, color schemes, plans, specifications, and related components of SKOAH® System (as defined in the Franchise Agreement and as Franchisor may prescribe for the Facial Shop).
- (3) Landlord agrees to furnish Franchisor with copies of any and all letters and notices sent to Franchisee pertaining to the Lease and the Premises at the same time that such letters and notices are sent to Franchisee.

(4) Franchisor will have the right to enter onto the Business premises at any time, to make any modification or alteration necessary to protect SKOAH® System and Proprietary Marks or to cure any default under the Franchise Agreement or under the Lease, without being guilty of trespass or any other crime or tort, and the Landlord will not be responsible for any expense or damages arising from Franchisor's action in connection therewith.

(5) In the event of Franchisee's default under the terms of the Lease, Landlord shall promptly deliver notice of such default to Franchisor and shall offer Franchisor the opportunity to cure the default and to assume the Lease in Franchisor's name. If Franchisor elects to cure the default and assume the Lease, Franchisor, within 10 days of its receipt of notice from Landlord, shall notify Landlord of its intent to cure such default and to assume the Lease. If Franchisor elects to cure the default, it shall cure the default within 30 days of such election or, if the default cannot be reasonably cured within such 30-day period, then Franchisor will commence and proceed to cure the default within such time as is reasonably necessary to cure the default. If Franchisor elects to assume the Lease, Landlord agrees to recognize Franchisor as the tenant under the Lease and Franchisee will no longer have any rights there under.

(6) Franchisee will be permitted to assign the Lease to Franchisor or its affiliates upon the expiration (without renewal) or earlier termination of the Franchise Agreement and the Landlord hereby consents to such assignment and agrees not to impose or assess any assignment fee or similar charge or accelerate rent under the Lease in connection with such assignment, or require Franchisor to pay any past due rent or other financial obligation of Franchisee to Landlord, it being understood that Landlord will look solely to the Franchisee for any rents or other financial obligations owed to Landlord prior to such assignment. Landlord and Franchisee acknowledge that Franchisor is not a party to the Lease and will have no liability under the Lease, unless and until the Lease is assigned to, or assumed by, Franchisor.

(7) Except for Franchisee's obligations to Landlord for rents and other financial obligations accrued prior to the assignment of the Lease, in the event of such assignment, Franchisor or any affiliate designated by Franchisor will agree to assume from the date of assignment all obligations of Franchisee remaining under the Lease, and in such event Franchisor or any affiliate will assume Franchisee's occupancy rights, and the right to sublease the Premises, for the remainder of the term of the Lease. In the event of such assignment, neither Franchisor nor any affiliate will be required to pay to Landlord any security deposit.

(8) Notwithstanding anything contained in this Lease, Franchisor is expressly authorized, without the consent of the Landlord, to assign the Lease, or to sublet all or a portion of Premises, to an authorized franchisee. If Franchisor elects to assign the Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall be released of all obligations to Landlord under the Lease as of the date of assignment. If Franchisor elects to sublet the premises, such subletting shall be subject to the terms of this Lease, the subtenant/franchisee shall expressly assume all of Franchisor's obligations under the Lease, and Franchisor shall remain liable for the performance of the terms of this Lease. Franchisor shall notify Landlord as to the name of the subtenant/franchisee within 10 days after such assignment or subletting, as applicable.

(9) Franchisee will not assign the Lease or renew or extend the term thereof without the prior written consent of Franchisor.

(10) Neither Landlord nor Franchisee shall amend or otherwise modify the Lease in any manner that could materially affect any of the foregoing requirements without the prior written consent of Franchisor.

(11) All notices hereunder shall be by certified mail to the addresses set forth above or to such other addresses as the parties hereto may, by written notice, designate. Notices required to be given to Franchisor shall be delivered to the following address: 4370 Varsity Dr. Suite G, Ann Arbor, MI 48108.

**(12)** This Lease Addendum shall be binding upon the parties hereto, their heirs, executors, successors, assigns and legal representatives.

The terms of this Lease Addendum will supersede any conflicting terms of the Lease.

IN WITNESS WHEREOF, the parties have executed this Lease Addendum as of the date first above written.

Landlord:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Franchisee:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Skoah Franchise, LLC

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**SKOAH FRANCHISE, LLC  
FRANCHISE AGREEMENT  
ATTACHMENT G**

**TELEPHONE NUMBER ASSIGNMENT AGREEMENT**

**THIS TELEPHONE NUMBER ASSIGNMENT AGREEMENT** is made and entered into on \_\_\_\_\_, (“**Assignment**”) by and between \_\_\_\_\_ (hereinafter the “**Assignor**”) and Skoah Franchise, LLC (hereinafter the “**Assignee**”).

**WITNESSETH:**

**WHEREAS**, the Assignee has developed and owns the proprietary system (“**System**”) for the operation of an upscale facial shop featuring skin care services (primarily facials), skin and body care products, cosmetics, and related products and services under the trademark and logo SKOAH (the “**Franchised Business**”);

**WHEREAS**, the Assignor has been granted a license to operate a Franchised Business pursuant to a Franchise Agreement dated \_\_\_\_\_, in accordance with the System (“**Franchise Agreement**”);

**WHEREAS**, in order to operate its Franchised Business, the Assignor shall be acquiring one or more telephone numbers, telephone listings and telephone directory advertisements; and

**WHEREAS**, as a condition to the execution of the Franchise Agreement, the Assignee has required that the Assignor assign all of its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements to the Assignee in the event of the expiration or termination of the Franchise Agreement;

**NOW, THEREFORE**, in consideration of the foregoing, the mutual promises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Assignment. In the event of termination of the Franchise Agreement, and in order to secure continuity and stability of the operation of the System, the Assignor hereby sells, assigns, transfers and conveys to the Assignee all of its rights, title and interest in and to certain telephone numbers, telephone listings and telephone directory advertisements pursuant to which Assignor shall operate its Franchised Business in accordance with the terms of the Franchise Agreement; provided, however, such Assignment shall not be effective unless and until the Franchise Agreement expires or is terminated in accordance with the provisions thereof.

2. Representation and Warranties of the Assignor. The Assignor hereby represents, warrants and covenants to the Assignee that:

(a) As of the effective date of the Assignment, all of the Assignor’s obligations and indebtedness for telephone, telephone listing services and telephone directory advertisement services shall be paid and current;

(b) As of the date hereof, the Assignor has full power and legal right to enter into, execute, deliver and perform this Agreement;

(c) This Agreement is a legal and binding obligation of the Assignor, enforceable in accordance with the terms hereof;

(d) The execution, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which the Assignor is a party or by which the Assignor is bound, and no consent or approval by any third party is required in connection herewith; and

(e) The Assignor has the specific power to assign and transfer its right, title and interest in its telephone numbers, telephone listings and telephone directory advertisements (individually and collectively referred to as “**Listings**”), and the Assignor has obtained all necessary consents to this Assignment.

(f) Notwithstanding the foregoing, Assignor hereby warrants and represents to Assignee that Assignor will within one (1) business day following Assignor’s receipt of Assignee’s request to acquire the Listings to immediately instruct each of Assignor’s providers to initiate the process and provide the vendors’ documents necessary to complete the assignment. Assignee further warrants and represents that Assignee will take no action to impede or prohibit the successful assignment of the Listings to Assignor, and that Assignor shall fully cooperate with Assignee with regard to the assignment; specifically in the execution of any documentation required by Assignor’s provider(s) to effectuate the assignment of the telephone numbers and Listings.

3. Miscellaneous. The validity, construction and performance of this Assignment shall be governed by the laws of the State of Michigan. All agreements, covenants, representations and warranties made herein shall survive the execution hereof. All rights of the Assignee shall inure to its benefit and to the benefit of its successors and assigns.

**IN WITNESS WHEREOF**, each of the parties has executed this Assignment as of the day and year first written above.

**ASSIGNEE:**

**ASSIGNOR:**

SKOAH FRANCHISE, LLC  
a Delaware limited liability company

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

By: \_\_\_\_\_  
NAME, TITLE

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**SKOAH FRANCHISE, LLC**  
**FRANCHISE AGREEMENT**

**ATTACHMENT H**

**FRANCHISEE QUESTIONNAIRE**

As you know, Skoah Franchise, LLC and you are preparing to enter into a Franchise Agreement for the operation of one SKOAH® Facial Shop 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/or Development Agreement and pay your initial franchise fee and/or development 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, except for questions 11(C) through 16, you must explain your answer on the back of this sheet.

Yes\_\_\_\_ No \_\_\_\_

1. Have you received and personally reviewed the Franchise Agreement and/or Development 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. A) Have you reviewed the Franchise Disclosure Document, Franchise Agreement, and, if applicable, the Development Agreement, with a lawyer?

Yes\_\_\_\_ No \_\_\_\_

B) Have you discussed the benefits and risks of operating SKOAH® Facial Shop franchise with your professional advisor?

Yes\_\_\_\_ No \_\_\_\_

C) Did you discuss the benefits and risks of operating SKOAH® Facial Shop franchise with an existing SKOAH® Facial Shop franchisee?

Yes\_\_\_\_ No \_\_\_\_

6. Do you understand the risks of operating SKOAH® Facial Shop franchise?

Yes\_\_\_\_ No \_\_\_\_

7. 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 person you employ, as well as many factors beyond your control such as weather, competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?

Yes\_\_\_\_ No \_\_\_\_

8. A) Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be brought in the

judicial district in which our principal place of business is located, if not resolved informally?

Yes\_\_\_\_ No \_\_\_\_

B) Do you understand the Franchise Agreement provides you can only collect compensatory damages on any claim under or relating to the Franchise Agreement and, if applicable the Development Agreement, and not any punitive, exemplary or multiple damages)?

Yes\_\_\_\_ No \_\_\_\_

9. Do you understand that your Managing Owner and General Manager (if applicable) must successfully complete our initial training program?

Yes\_\_\_\_ No \_\_\_\_

10. Do you understand that, except for rights granted to you pursuant to an Area Development Agreement, we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises?

Yes\_\_\_\_ No \_\_\_\_

11. Do you understand that the Franchise Agreement and, if applicable, the Development Agreement contains the entire agreement between us and you concerning the franchise for SKOAH® Facial Shop, meaning any prior oral or written statements not set out in the Franchise Agreement and, if applicable, the Development Agreement will not be binding?

Yes\_\_\_\_ No \_\_\_\_

12. Do you understand that any initial Franchise Fees or Area Development Fees are fully earned upon receipt and are non-refundable under any circumstance?

Yes\_\_\_\_ No \_\_\_\_

13. A) Do you understand that we will not approve your purchase of SKOAH® Facial Shop franchise if you are a suspected terrorist or associated directly or indirectly with terrorist activity?

Yes\_\_\_\_ No \_\_\_\_

B) Is it true that you are purchasing a SKOAH® Facial Shop franchise with a just intent, and not for the purpose of violating any anti-terrorism law or for obtaining money to be contributed to a terrorist organization?

Yes\_\_\_\_ No \_\_\_\_

14. Do you understand that the decision to award you a franchise/Development Agreement is in part due to your representations of access to the capital necessary to purchase, build and operate the business and any misrepresentation or failure to complete due diligence for necessary funding is solely your responsibility?

Yes\_\_\_\_ No \_\_\_\_

15. Has any employee of Franchisor made any statement or promise regarding the costs involved in operating SKOAH® Facial Shop 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 \_\_\_\_

16. Has any employee of Franchisor 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 SKOAH® Facial Shop 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 \_\_\_\_

17. Has any employee of Franchisor made any statement or promise or agreement, other than those matters addressed in our Franchise Agreement or Development Agreement, concerning site selection, 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?

You understand that Franchisor is acting in reliance on the truthfulness and completeness of your responses to the questions above in entering into the Agreements with Franchisee.

NOTE: IF THE FRANCHISEE IS A CORPORATION, PARTNERSHIP, LIMITED LIABILITY COMPANY OR OTHER ENTITY, EACH OF ITS OWNERS MUST EXECUTE THIS ACKNOWLEDGEMENT.

**FRANCHISEE**

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

By:\_\_\_\_\_

Name:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

## CALIFORNIA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq., (collectively, the “**Act**”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.

b. 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).

c. The 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.).

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

e. The Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California. This requirement may be unenforceable under California law.

f. The Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.

g. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

2. To the extent that Section 19.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.

3. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

5. No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

6. To the extent that Section 15.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## ILLINOIS AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987 (“FDA”), 815 ILCS 705/1-44. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.
- e. If this Agreement requires a jury trial waiver, to the extent that such provision conflicts with the Illinois Franchise Disclosure Act, the Act will control.
- f. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

2. Based on our current financial condition, the Illinois Attorney General’s Office requires that we post a surety bond to guarantee that we will fulfill our pre-opening obligations to you. The surety bond is on file with the Illinois Attorney General’s Office.

3. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

*[The Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MARYLAND AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. Any provision requiring you to sign a general release of any and all claims against us shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.
2. Any provision requiring you to bring an action against us in any state other than Maryland shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law. You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Section 14-226 of the Maryland Franchise Registration and Disclosure Law, prohibits us from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law, in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
4. Notwithstanding anything to the contrary set forth in the Agreement, any general release the Franchisee is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability we may have incurred under the Maryland Franchise Registration and Disclosure Law.
5. The Franchise Agreement is amended by the addition of the following language to the original language that appears in the choice of law language therein:

“This section shall not in any way abrogate or reduce any of your rights as provided for in Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, including the right to submit matters to the jurisdiction of the Courts of Maryland.”
6. Notwithstanding anything to the contrary set forth in the Agreement, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
8. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.
9. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**FRANCHISOR**

**FRANCHISEE**

**SKOAH FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MINNESOTA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 80C.12, Subd. 1(g), (the “**Act**”), which requires us to protect your right to use the trademarks, service marks and trade names and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of same.
2. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of the Agreement.
3. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 604.113 which limits charges for nonpayment due to insufficient funds to \$30.
4. Notwithstanding anything to the contrary set forth in the Agreement, any general release you are required to assent to shall not apply to any liability we may have under the Act.
5. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibits the Franchisor from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce any of Franchisee’s rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
6. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**FRANCHISOR**

**FRANCHISEE**

**SKOAH FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## NEW YORK AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. **Releases.** The following language is added to the end of Section 2.2 of the Franchise Agreement entitled Successor Terms and Sections 12.3 and 12.4 of the Franchise Agreement entitled Transfer of Interest:

“If Franchisee is required to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the New York General Business Law, regulation, rule or order under the Law, such release shall exclude claims arising under the New York General Business Law, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.”

2. **Termination.** The following language is added to the end of Section 13 of the Franchise Agreement entitled Default and Termination:

“You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.”

3. **Assignment.** The following language is added to the end of Section 12.1 of the Franchise Agreement entitled Transfer of Interest:

“However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

4. **Governing Law.** The following language is added to the end of Section 19.1 of the Franchise Agreement entitled Choice of Law:

“The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

5. **Conflicting Terms.** In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

6. **Miscellaneous.** Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**FRANCHISOR**

**FRANCHISEE**

**SKOAH FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## VIRGINIA AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “**Act**”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Franchise Agreement does not constitute “reasonable cause”, as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.
2. As a condition to becoming registered to offer and sell franchises in the State of Virginia, we have agreed to defer your obligation to pay the Initial Franchise Fee, and the initial inventory package fee (collectively the “**Initial Fees**”) until we have met our material pre-opening obligations and you have commenced operation of the SKOAH® Facial Shop (the “**Fee Deferral Requirement**”). Therefore, notwithstanding anything to the contrary in Sections 4.1., 6.5.2, and 7.5.2 of the Franchise Agreement, payment of the Initial Fees is due (a) at such time as when we have met all of our material pre-opening obligations to you and you have commenced operation of the SKOAH® Facial Shop, or (b) when the Fee Deferral Requirement has been lifted, whichever occurs sooner.
3. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## WASHINGTON AMENDMENT TO FRANCHISE AGREEMENT

THIS AMENDMENT TO FRANCHISE AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Franchise Agreement (the “**Franchise Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Franchise Agreement shall have the identical meanings in this Amendment.

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.
8. As a condition to becoming registered to offer and sell franchises in the State of Washington, we have agreed to defer your obligation to pay the Initial Franchise Fee until we have met our material pre-

opening obligations and you have commenced operation of the SKOAH® Facial Shop (the “**Fee Deferral Requirement**”). Therefore, notwithstanding anything to the contrary in Section 4.1. of the Franchise Agreement, payment of the Initial Franchise Fee is due (a) at such time as when we have met all of our material pre-opening obligations to you and you have commenced operation of the SKOAH® Facial Shop, or (b) when the Fee Deferral Requirement has been lifted, whichever occurs sooner.

9. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.

10. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**FRANCHISEE**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MARYLAND ADDENDUM TO FRANCHISE AGREEMENT

1. Item 5, Additional Disclosures. The following statement is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 11, Additional Disclosures. The following statements are added to Item 11.

Within 90 days of the end of each fiscal year, you may request an accounting of advertising expenditures for the preceding fiscal year.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 19, Additional Disclosures. The following statement is added to Item 19:

We have not made, and do not intend to make, changes to our business model to adapt the business to consumer demands post-COVID-19.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

**EXHIBIT C**  
**DEVELOPMENT AGREEMENT**

## DEVELOPMENT AGREEMENT

This Development Agreement (“**Agreement**”) made effective as of \_\_\_\_\_ (“**Effective Date**”) by and between Skoah Franchise, LLC, a Delaware limited liability with a business address at 4370 Varsity Dr. Suite G, Ann Arbor, MI 48108 (the “**Franchisor**”); and \_\_\_\_\_, a (resident of) (corporation organized in) (limited liability company organized in) \_\_\_\_\_ with a business address at \_\_\_\_\_ (the “**Developer**”).

### BACKGROUND

A. Franchisor has acquired the license to use and to sublicense the use of an upscale facial shop (“**Facial Shop**”) featuring skin care services (primarily facials), skin and body care products, cosmetics, and related products and services under the trademark and logo SKOAH (the “**System**”).

B. The distinguishing characteristics of the System include, without limitation, the combination of services provided, including facials, massages, private label cosmetics and skin care products which incorporate Franchisor’s trade secrets and proprietary information (the “**Proprietary Products**”); distinctive exterior and interior design, decor, color scheme, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; procedures for inventory and management control; training and assistance; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time. Developer hereby acknowledges and agrees that: (i) the System and Franchisor’s related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information that makes the System unique as a whole; and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals are proprietary and confidential.

C. The System and Facial Shops are identified by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including, but not limited, to the mark “**SKOAH**” and such other trade names, service marks, and trademarks as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the “**Proprietary Marks**”). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D. Franchisor grants qualified third parties the right to develop a certain number of Facial Shops within a defined site selection area (the “**Site Selection Area**”) in accordance with the terms of this Agreement to which Developer must be strictly adhere, with each Facial Shop within the Site Selection Area being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor’s then-current form of franchise agreement (each, a “**Franchise Agreement**”).

E. Developer recognizes the benefits from receiving the right to operate a Facial Shop utilizing the System and desires to: (i) become a multi-unit operator subject to the terms of this Agreement; and (ii) receive the benefits provided by Franchisor under this Agreement.

F. Developer has applied for the right to open and operate a certain number of Facial Shops within the Site Selection Area as set forth in this Agreement (each, a “**Facial Shop**”), and Franchisor has approved such application in reliance on Developer’s representations made therein.

G. Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Facial Shops and the System as a whole.

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

## AGREEMENT

1. Site Selection Area; Development Schedule and Obligations. Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish \_\_\_\_\_ Facial Shops within the Site Selection Area defined in the Data Sheet attached hereto as Attachment A (the "**Data Sheet**"), provided Developer opens and begins operations of such Facial Shops in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "**Development Schedule**") and otherwise subject to the terms and conditions set forth herein. The parties agree and acknowledge that Developer shall not have any exclusive territorial rights within the Site Selection Area.

2. Development Fee. Developer shall pay Franchisor a development fee equal to \$\_\_\_\_\_ (the "**Development Fee**") for the right to develop the foregoing Facial Shops within the Site Selection Area under this Agreement. The Development Fee is fully earned upon payment and is not refundable under any circumstances; and payable to Franchisor immediately on Developer's execution of this Agreement.

2.1 The parties agree and acknowledge that the Development Fee is comprised of the franchise fee payable in connection with: (i) the initial Facial Shop that Developer is granted the right to open within the Site Selection Area under this Agreement (the "**Initial Facial Shop**"); and (ii) each additional Facial Shop that Franchisor has granted Developer the right to open hereunder (each, an "**Additional Facial Shop**").

3. Initial Franchise Agreement. Contemporaneously with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the Initial Facial Shop that Developer is required to open within the Site Selection Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement.

4. Additional Franchise Agreements. Developer agrees and acknowledges that it must: (i) enter into Franchisor's then-current form of Franchise Agreement for each Additional Facial Shop that Developer is required to open under this Agreement; and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule.

5. Development Obligations. Developer must ensure that, at a minimum, Developer: (i) opens and commences operations of the number of new Facial Shops during each of the development periods defined in the Development Schedule (each, a "**Development Period**"); and (ii) has the minimum cumulative number of Facial Shops open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder).

The parties agree and acknowledge that if there is more than one developer or franchisee looking to secure a site for a SKOAH Facial Shop within the Site Selection Area, the parties will follow the Franchisor's prescribed process and procedure for how sites will be reviewed and offered to such franchisees/developers (including Developer) within the Site Selection Area, as Franchisor sets forth in its confidential operations manual(s) or otherwise.

6. Term and Termination.

6.1 This Agreement will begin on the Effective Date and, unless earlier terminated by Franchisor, will expire on the earlier of: (i) the last day of the calendar month that the final Facial Shop is required to be opened and operating under the Development Schedule; or (ii) the date Developer actually opens the last Facial Shop that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in connection with a "Designated Territory" associated with a Facial Shop that Developer has opened and begun operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Facial Shops).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Site Selection Area or otherwise abandons its development business for three consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Facial Shops within the Site Selection Area; (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer; (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof; and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7. Reservation of Rights. Except as provided in Article 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8. Sale or Assignment. Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a general partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9. Acknowledgment. Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

10. Notices. All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or

certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

11. Choice of Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to this state's conflict of laws principles.

12. Internal Dispute Resolution. Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13. Mediation. The parties acknowledge that during the term and any extensions of this Agreement certain disputes may arise that the parties are unable to resolve, but that may be resolvable through mediation. To facilitate such resolution, Franchisor, Developer, and each Owner agree to submit any claim, controversy or dispute between Franchisor or its Affiliates (and Franchisor's and its Affiliate's respective owners, officers, directors, agents, representatives and/or employees) and you or your Affiliates (and your Owners, agents, representatives and/or employees) arising out of or related to **(a)** this Agreement or any other agreement between Franchisor and you, **(b)** Franchisor's relationship with you, or **(c)** the validity of this Agreement or any other agreement between Franchisor and you, to mediation before bringing such claim, controversy or dispute in a court or before any other tribunal.

13.1.2. The mediation shall be conducted by a mediator agreed upon by Franchisor and you and, failing such agreement within not more than 15 days after either party has notified the other of its desire to seek mediation, by the American Arbitration Association or any successor organization ("AAA") in accordance with its rules governing mediation. Mediation shall be held at the offices of the AAA in the city where Franchisor maintains its principal business offices. The costs and expenses of mediation, including the compensation and expenses of the mediator (but excluding attorneys' fees incurred by either party), shall be borne by the parties equally.

13.1.3. If the parties are unable to resolve the claim, controversy or dispute within 90 days after the mediator has been chosen, then, unless such time period is extended by written agreement of the parties, either party may bring an arbitration proceeding pursuant to Article 14. The parties agree that statements made during such mediation proceeding will not be admissible for any purpose in any subsequent legal proceeding.

13.1.4. Notwithstanding the foregoing provisions of this Article 13, the parties' agreement to mediate shall not apply to any controversy, dispute or claim related to or based on amounts owed to Franchisor pursuant to this Agreement or for temporary or preliminary injunctive or other extraordinary relief sought ("**Excepted Claims**"). Either party may bring any Excepted Claims in any court of competent jurisdiction and the parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision..

14. Arbitration. Except for any Excepted Claims which either party has the right to bring in any court of competent jurisdiction, you and we agree to submit any claim, controversy or dispute (collectively, "**Dispute**") between us or any of our affiliates (and/or their respective shareholders, officers, directors, agents, representatives and/or employees) and you (and/or your owners, guarantors, agents, representatives and/or employees, as applicable) arising out of or related to **(a)** this Agreement or any other agreement between us and you, **(b)** our relationship with you, **(c)** the validity of this Agreement or any other agreement between us and you, or **(d)** any System standard, to arbitration.

The parties agree that notwithstanding anything to the contrary in this Agreement, Disputes shall be submitted to binding arbitration in accordance with this Section 19.3. The arbitration shall be conducted through the American Arbitration Association (“AAA”) and in accordance with the AAA’s Commercial Arbitration Rules (“Rules”). The arbitration shall be conducted by one (1) arbitrator selected by agreement of the parties or (in the event the parties cannot agree) in accord with the Rules. The arbitrator shall apply the Federal Rules of Evidence during the conduct of the sessions with respect to the admissibility of evidence. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. § 1-16. Judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof and will be final, binding and non-appealable, except as set forth below. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The place of arbitration shall be in the county in which Franchisor maintains its principal business offices at the time of arbitration, currently set in Washtenaw County, Michigan, unless otherwise mutually agreed between the parties. Franchisor reserves the right, but has no obligation, to advance Franchisee's share of the costs of any arbitration proceeding in order for such arbitration proceeding to take place and by doing so shall not be deemed to have waived or relinquished its right to seek the recovery of those costs in accordance with Article 20. The arbitrator, in the conduct of the arbitration, shall not have the authority to declare any Proprietary Mark generic or otherwise invalid and, to the fullest extent permitted by law, each party waves any right to or claim for any punitive, exemplary, incidental or consequential damages against the other. The arbitrator shall be required to state in writing the reasoning on which the award is based.

The parties agree that all Disputes submitted to arbitration shall be conducted on an individual, and not a class wide, basis, and that only Franchisor (and its affiliates and its and their respective owners, officers, directors, agents and employees, as applicable) and Developer (and its affiliates and its and their respective owners, guarantors, officers and directors, as applicable) may be the parties to any arbitration proceeding described in this Section, and that no such arbitration proceeding shall be consolidated with any other arbitration proceeding involving Franchisor and/or any other natural person, association, corporation, partnership, limited liability company or other entity.

If any party to an arbitration wishes to appeal any final award by the arbitrator, such party may appeal, within thirty (30) days of such final award, to a different arbitrator appointed in the same manner as set forth above. The issues on appeal will be limited to the proper application of the law to the facts found at the arbitration and will not include any trial de novo or other fact-finding function. The party requesting such appeal must have paid for a court reporter to make a written record of the arbitration hearing and must pay all costs charged by such appeal panel, as well as posting any bond deemed appropriate by the appeal panel. Any party that does not pay for or share in the payment for a transcript of the arbitration hearing cannot challenge any ruling by the arbitrator on appeal, even if the opposing party does appeal.

15. Jurisdiction and Venue. Subject to Sections 13 and 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Washtenaw County, Michigan or, if appropriate, the United States District Court for the Eastern District of Michigan (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 14 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

16. Third Party Beneficiaries. Franchisor’s officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

17. JURY TRIAL WAIVER. THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

18. WAIVER OF CLASS ACTIONS. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19. Waiver of Punitive Damages. Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. Attorneys' Fees. If either party institutes any arbitration, judicial, or mediation proceeding to enforce any monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding.

21. Nonwaiver. Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22. Severability. The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, that renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23. Construction of Language. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24. Persons Bound. This Agreement shall be binding on the parties and their respective successors and assigns. Each direct and indirect individual and entity owner of Developer (“**Owner**”) shall execute the Personal Guaranty and Undertaking attached as Attachment B. Failure or refusal to do so shall constitute a breach of this Agreement. You and each Owner shall be joint and severally liable for each person’s obligations hereunder and under the Personal Guaranty and Undertaking.

24. Successors. References to “Franchisor” or “Developer” include the respective parties’ successors, assigns or transferees, subject to the limitations of Article 8 of this Agreement.

25. Additional Documentation. Developer must from time to time, subsequent to the date first set forth above, at Franchisor’s request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer’s attorney-in-fact to execute any and all documents on Developer’s behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26. No Right to Offset. Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27. Entire Agreement. This Agreement contains the entire agreement between the parties concerning Developer’s development rights within the Site Selection Area; no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor’s policies, procedures, standards, specifications or manuals at Franchisor’s discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer.

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.**

**FRANCHISOR:**

**DEVELOPER:**

SKOAH FRANCHISE, LLC

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

By: \_\_\_\_\_  
NAME, TITLE

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT A**  
**TO DEVELOPMENT AGREEMENT**  
**DATA SHEET**

1. Site Selection Area. The Site Selection Area, as referred to in Article 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas: \_\_\_\_\_

2. Development Schedule. The Development Schedule referred to in Article 5 of the Development Agreement is as follows:

| Expiration of Development Period<br>(each, a “Development Period”) | No. of New Facial Shops<br>Opened Within<br>Development Period | Cumulative No. of Facial<br>Shops that Must Be Open<br>and Operating |
|--------------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------------|
| 12 Months from Effective Date                                      | 1                                                              | 1                                                                    |
| Months 13 through 36 of the<br>Development Agreement               | 1                                                              | 2                                                                    |
| Months 37 through 48 of the<br>Development Agreement               | 1                                                              | 3                                                                    |

**FRANCHISOR:**

SKOAH FRANCHISE, LLC

**DEVELOPER:**

ENTITY

By: \_\_\_\_\_  
NAME, TITLE

Date: \_\_\_\_\_

By: \_\_\_\_\_  
NAME, TITLE

Date: \_\_\_\_\_

## ATTACHMENT B

### TO DEVELOPMENT AGREEMENT

#### PERSONAL GUARANTY AND UNDERTAKING

THIS PERSONAL GUARANTY AND UNDERTAKING is given this date of \_\_\_\_\_, by each of the undersigned below (each a “**Guarantor**”).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement of even date (the “**Area Development Agreement**”) by SKOAH FRANCHISE, LLC (the “**Franchisor**”), and with \_\_\_\_\_ (“**Developer**”), each Guarantor hereby personally and unconditionally (a) guarantees to Franchisor, and its successor and assigns, for the term of the Area Development Agreement and as provided in the Area Development Agreement, that Developer shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Area Development Agreement; and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Area Development Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, as though each were the Developer under the Area Development Agreement.

Each Guarantor hereby waives: (1) acceptance and notice of acceptance by Franchisor of the foregoing undertakings; (2) notice of demand for payment of any indebtedness or nonperformance of any obligations guaranteed; (3) protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations guaranteed; (4) any right Guarantor may have to require that an action be brought against Developer 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 or the performance of any obligation hereby guaranteed.

Each Guarantor hereby consents and agrees that: (1) such Guarantor’s undertaking shall be direct, immediate and independent of the liability of, and shall be joint and several with, Developer and any other Guarantors; (2) Guarantor shall render any payment or performance required under the Area Development Agreement upon demand if Developer fails or refuses punctually to do so; (3) Guarantor’s liability shall not be contingent or conditioned upon pursuit by Franchisor of any remedies against Developer or any other person; (4) Guarantor’s liability shall not be diminished, relieved or otherwise affected by any extension of time, credit or other indulgence which Franchisor may grant to Developer 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 guaranty, which shall be continuing and irrevocable during the term of the Area Development Agreement; (5) this undertaking will continue unchanged by the occurrence of any bankruptcy with respect to Developer or any assignee or successor of Developer or by any abandonment of the Area Development Agreement by a trustee of Developer; (6) neither the Guarantor’s obligations to make payment or render performance 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 Developer or its estate in bankruptcy or of any remedy for enforcement, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency; (7) Franchisor may proceed against Guarantor and Developer jointly and severally, or Franchisor may, at its option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against Developer; and (8) Guarantor shall pay all reasonable attorneys’ fees and all costs and other expenses incurred in any collection or attempt to collect amounts due pursuant to this undertaking or any negotiations relative to the obligations hereby guaranteed or in enforcing this undertaking against Guarantor.

IN WITNESS WHEREOF, each Guarantor has executed this Guaranty and Assumption of Obligations as of the date set forth above.

GUARANTOR(S):

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Guarantor

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Guarantor

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Guarantor

## CALIFORNIA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_ by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. The California Department of Financial Protection and Innovation requires that certain provisions contained in franchise documents be amended to be consistent with California law, including the California Franchise Investment Law, CAL. CORP. CODE Section 31000 et seq., and the California Franchise Relations Act, CAL. BUS. & PROF. CODE Section 20000 et seq., (collectively, the “**Act**”). To the extent that the Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

a. California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the Agreement contains a provision that is inconsistent with the law, the law will control.

b. 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).

c. The 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.).

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

e. The Agreement requires litigation, arbitration, or mediation to be conducted in a forum other than the State of California. This requirement may be unenforceable under California law.

f. The Agreement requires application of the laws of Michigan. This provision may not be enforceable under California law.

g. If the Agreement requires payment of liquidated damages that is inconsistent with California Civil Code Section 1671, the liquidated damage clause may be unenforceable.

2. To the extent that Section 19.1 of the Agreement (pertaining to choice of law) conflicts with California law, California law will control.

3. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

5. No disclaimer, questionnaire, clause, or statement signed by a franchisee or prospective franchisee in connection with the commencement of the franchise relationship shall be construed or interpreted as waiving any claim of fraud in the inducement, whether common law or statutory, or as disclaiming reliance on or the right to rely upon any statement made or information provided by any franchisor, broker or other person acting on behalf of the franchisor that was a material inducement to a franchisee's investment. This provision supersedes any other or inconsistent term of any document executed in connection with the franchise.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**DEVELOPER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## ILLINOIS AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_ by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. The Illinois Attorney General's Office requires that certain provisions contained in franchise documents be amended to be consistent with Illinois law, including the Franchise Disclosure Act of 1987 (“FDA”), 815 ILCS 705/1-44. To the extent that this Agreement contains provisions that are inconsistent with the following, such provisions are hereby amended:

- a. Illinois Franchise Disclosure Act paragraphs 705/19 and 705/20 provide rights to you concerning nonrenewal and termination of this Agreement. If this Agreement contains a provision that is inconsistent with the Act, the Act will control.
- b. Any release of claims or acknowledgments of fact contained in the Agreement that would negate or remove from judicial review any statement, misrepresentation or action that would violate the Act, or a rule or order under the Act shall be void and are hereby deleted with respect to claims under the Act.
- c. If this Agreement requires litigation to be conducted in a forum other than the State of Illinois, the requirement is void with respect to claims under the Illinois Franchise Disclosure Act.
- d. If this Agreement requires that it be governed by a state's law, other than the State of Illinois, to the extent that such law conflicts with the Illinois Franchise Disclosure Act, Illinois law governing claims arising under the Act will control.
- e. If this Agreement requires a jury trial waiver, to the extent that such provision conflicts with the Illinois Franchise Disclosure Act, the Act will control.
- f. Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois is void.

2. Based on our current financial condition, the Illinois Attorney General’s Office requires that we post a surety bond to guarantee that we will fulfill our pre-opening obligations to you. The surety bond is on file with the Illinois Attorney General’s Office.

3. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

*[Signature Page Follows.]*

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**DEVELOPER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MARYLAND AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Any provision requiring you to sign a general release of any and all claims against us shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.
2. Any provision requiring you to bring an action against us in any state other than Maryland shall not apply to claims arising under the Maryland Franchise Registration and Disclosure Law. You may bring an action in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
3. Section 14-226 of the Maryland Franchise Registration and Disclosure Law, prohibits us from requiring a prospective franchisee to assent to any release, estoppel or waiver of liability as a condition of purchasing a franchise. Any provisions which requires a prospective franchisee to disclaim the occurrence and/or non-occurrence of acts that would constitute a violation of the Maryland Franchise Registration and Disclosure Law, in order to purchase a franchise are not intended to, nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.
4. Notwithstanding anything to the contrary set forth in the Agreement, any general release the Developer is required to assent to is not intended to nor shall it act as a release, estoppel or waiver of any liability we may have incurred under the Maryland Franchise Registration and Disclosure Law.
5. The Development Agreement is amended by the addition of the following language to the original language that appears in the choice of law language therein:

“This section shall not in any way abrogate or reduce any of your rights as provided for in Section 14-216(c)(25) of the Maryland Franchise Registration and Disclosure Law, including the right to submit matters to the jurisdiction of the Courts of Maryland.”
6. Notwithstanding anything to the contrary set forth in the Agreement, any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.
8. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall prevail.
9. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**FRANCHISOR**

**DEVELOPER**

**SKOAH FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MINNESOTA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Franchisee**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 80C.12, Subd. 1(g), (the “**Act**”), which requires us to protect your right to use the trademarks, service marks and trade names and indemnify you from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of same.
2. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given ninety (90) days’ notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days’ notice for non-renewal of the Agreement.
3. Notwithstanding anything to the contrary set forth in the Agreement, Franchisor will comply with Minn. Stat. Section 604.113 which limits charges for nonpayment due to insufficient funds to \$30.
4. Notwithstanding anything to the contrary set forth in the Agreement, any general release you are required to assent to shall not apply to any liability we may have under the Act.
5. Minn. Stat. Section 80C.21 and Minn. Rule 2860.4400J prohibits the Franchisor from requiring litigation to be conducted outside of Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Agreement can abrogate or reduce any of Developer’s rights as provided for in Minnesota Statutes, Chapter 80C, or Developer’s rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
6. In the event of any conflict between the terms of this Amendment and the terms of the Franchise Agreement, the terms of this Amendment shall prevail.
7. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

### FRANCHISOR

**SKOAH FRANCHISE, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

### DEVELOPER

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## NEW YORK AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_, is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_, by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Releases. The following language is added to the end of the Development Agreement:

“If Franchisee is required to execute a release of claims or to acknowledge facts that would negate or remove from judicial review any statement, misrepresentation or action that would violate the General Business Law of the State of New York, regulation, rule or order under the Law, such release shall exclude claims arising under the General Business Law of the State of New York, Article 33, Sections 680 to 695 and the regulations promulgated thereunder, and such acknowledgments shall be void. It is the intent of this provision that non-waiver provisions of Sections 687.4 and 687.5 of the General Business Law be satisfied.”

2. Termination. The following language is added to the end of Section 6 of the Development Agreement entitled Term and Termination:

“You may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.”

3. Assignment. The following language is added to the end of Section 8 of the Development Agreement entitled Sale or Assignment:

“However, no assignment will be made except to an assignee who in good faith and judgment of the Franchisor, is willing and financially able to assume the Franchisor’s obligations under the Franchise Agreement.”

4. Governing Law. The following language is added to the end of Section 11 of the Development Agreement entitled Choice of Law:

“The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.”

5. Conflicting Terms. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

6. Miscellaneous. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**FRANCHISOR**

**DEVELOPER**

**SKOAH FRANCHISE, LLC**

\_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## VIRGINIA AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_ by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. Under Section 13.1-564 of the Virginia Retail Franchising Act, (the “**Act**”), it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the Development Agreement does not constitute “reasonable cause”, as that term may be defined in the Act or the laws of Virginia, that provision may not be enforceable.

2. As a condition to becoming registered to offer and sell franchises in the State of Virginia, Franchisor has agreed to defer Developer’s obligation to pay the Development Fee until Franchisor has met all of its material pre-opening obligations under Developer’s initial Franchise Agreement with Franchisor and Developer has begun operation of its first SKOAH® Facial Shop (the “**Fee Deferral Requirement**”). Therefore, notwithstanding anything to the contrary in Section 2 of the Development Agreement, payment of the Development Fee is due (a) at such time as when Franchisor has met all of its material pre-opening obligations to Developer under Developer’s initial Franchise Agreement and Developer have commenced operation of its first SKOAH® Facial Shop, or (b) when the Fee Deferral Requirement has been lifted, whichever occurs sooner.

3. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

4. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**DEVELOPER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## WASHINGTON AMENDMENT TO DEVELOPMENT AGREEMENT

THIS AMENDMENT TO DEVELOPMENT AGREEMENT (“**Amendment**”) dated \_\_\_\_\_ is intended to be a part of, and by this reference is incorporated into that certain Development Agreement (the “**Development Agreement**”) dated \_\_\_\_\_ by and between Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal office in Southlake, Texas, and \_\_\_\_\_ (“**you**” or “**Developer**”). Defined terms contained in the Development Agreement shall have the identical meanings in this Amendment.

1. In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
2. RCW 19.100.180 may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.
3. In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the development agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
4. A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.
5. Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.
6. Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
7. RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the development agreement or elsewhere are void and unenforceable in Washington.
8. As a condition to becoming registered to offer and sell franchises in the State of Washington, Franchisor has agreed that payment of the Development Fee will be released proportionally with respect to each SKOAH® Facial Shop opened and is deferred until Franchisor has met all its pre-opening obligations

under the Development Agreement and you are open for business with respect to each such location (the “**Fee Deferral Requirement**”). Therefore, notwithstanding anything to the contrary in Section 2 of the Development Agreement, payment of the Development Fee is due (a) proportionally with respect to each SKOAH® Facial Shop opened and is deferred until Franchisor has met its pre-opening obligations under the Development Agreement and you are open for business with respect to each such location, or (b) when the Fee Deferral Requirement has been lifted, whichever occurs sooner.

9. In the event of any conflict between the terms of this Amendment and the terms of the Development Agreement, the terms of this Amendment shall prevail.

10. Each provision of this Amendment shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

**IN WITNESS WHEREOF**, the parties have executed this Amendment on the date first shown above.

**SKOAH FRANCHISE, LLC**

**DEVELOPER**

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## MARYLAND ADDENDUM TO DEVELOPMENT AGREEMENT

1. Item 5, Additional Disclosures. The following statement is added to Item 5:

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement and the outlet is opened. In addition, all development fees and initial payments by area developers shall be deferred until the first franchise under the development agreement opens.

2. Item 11, Additional Disclosures. The following statements are added to Item 11.

Within 90 days of the end of each fiscal year, you may request an accounting of advertising expenditures for the preceding fiscal year.

3. Item 17, Additional Disclosures. The following statements are added to Item 17:

The Franchise Agreement provides for termination upon bankruptcy. These provisions may not be enforceable under federal bankruptcy law.

Any provisions requiring you to sign a general release of claims against us, including upon execution of the Franchise Agreement or a successor Franchise Agreement, refund of initial fees, or transfer, does not release any claim you may have under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Item 19, Additional Disclosures. The following statement is added to Item 19:

We have not made, and do not intend to make, changes to our business model to adapt the business to consumer demands post-COVID-19.

Each provision of these Additional Disclosures shall be effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to these Additional Disclosures.

**EXHIBIT D**  
**GENERAL RELEASE**  
**(SAMPLE FORM ONLY)**

## GENERAL RELEASE

The undersigned and my heirs, administrators, executors, ancestors, and assigns, for good and valuable consideration, the receipt of which is hereby acknowledged, hereby remise, release, and forever discharge Skoah Franchise, LLC (“**Franchisor**”), a Delaware limited liability company, with its principal business offices located at 4370 Varsity Dr. Suite G, Ann Arbor, MI 48108 and its Affiliates, and their respective owners, officers, directors, employees, and agents (collectively, the “**Franchisor Released Parties**”) from any and all claims, whether at law or in equity, and all contracts, controversies, claims, and demands whatsoever, at law or in equity, that I ever had, now have, or that my respective heirs, administrators, ancestors, executors, and/or assigns may have against the Franchisor Released Parties including, without limitation, all claims arising out of or related to that certain Franchise Agreement between Franchisor and \_\_\_\_\_ dated \_\_\_\_\_, 20\_\_\_\_\_, and the offer and sale of SKOAH® franchise opportunity.

I acknowledge that this general release extends to claims which I do not know or suspect to exist in my favor at the time of executing this Release Agreement, which if were known to me may have materially affected my decision to enter into this Release Agreement. I understand that the facts in respect of which this Release Agreement is given may hereafter turn out to be other than or different from the facts in that connection known or believed to be true. I expressly assume the risk of the facts turning out to be so different and agree that this Release Agreement shall be in all respects effective and not subject to termination or rescission by any such difference in facts. If RELEASOR is domiciled or has his or her principal place of business in the State of California, then RELEASOR hereby expressly waives and relinquishes all rights and benefits under Section 1542 of the California Civil Code, which provides: “A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”

**IN WITNESS WHEREOF**, the parties hereto have executed this Release Agreement as of the date set forth below.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

[This General Release will be modified as necessary for consistency with any state law regulating franchising.]

**EXHIBIT E**  
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**OF CONFIDENTIAL OPERATIONS MANUAL**

## **EXHIBIT E**

### **MANUAL TABLE OF CONTENTS**

|            |                                         |
|------------|-----------------------------------------|
| Section 1: | Introduction to skoah® (8 pages)        |
| Section 2: | Pre-Opening (30 pages)                  |
| Section 3: | Services, Product, Pricing (3 pages)    |
| Section 4: | Customer Experience and Care (10 pages) |
| Section 5: | Personnel (20 pages)                    |
| Section 6: | Operations (15 pages)                   |
| Section 7: | Marketing & Brand Management (20 pages) |
| Section 8: | Financial Management (8 pages)          |

**EXHIBIT F-1**  
**AUDITED**  
**FINANCIAL STATEMENTS**

To the Board of Directors and Members  
of **Skoah Franchise, LLC**

We have audited the financial statements of Skoah Franchise, LLC (the Company) as of and for the year ended December 31, 2021, and have issued our report thereon dated March 2, 2022. Professional standards also require that we advise you of the following matters relating to our audit.

### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated February 3, 2022, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we consider the internal control of the Company solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance With All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

You have designated an individual, with suitable skill, knowledge, or experience to oversee the financial statement preparation services and any other non-attest services we provide, evaluate the adequacy and results of the services, and accept responsibility for them.

## **Significant Risks Identified**

We have identified the following significant risks:

Management override of controls and improper revenue recognition. These risks are considered pervasive to the overall financial statements and are required to be evaluated under generally accepted auditing standards in the United States of America (GAAS). We considered these risks in the design and performance of our audit procedures.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Company is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies the controversial or merging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Company's financial statements relate to revenue recognition.

## **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. There were no significant unusual transactions identified as a result of our audit procedures.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such misstatements requiring communication.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements With Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Company's financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There have been no such circumstances.

### **Representations Requested from Management**

We have requested certain representations from management, which are included in the management representation letter dated March 2, 2022.

### **Management's Consultations With Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.



Troy, Michigan  
March 2, 2022

**SKOAH FRANCHISE, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021**

*(With Independent Auditor's Report Thereon)*

# SKOAH FRANCHISE, LLC

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Members  
of **Skoah Franchise, LLC**

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of Skoah Franchise, LLC, which comprise the balance sheets as of December 31, 2021, 2020 and 2019, and the related statements of operations and members' equity (deficit) and cash flows for the years ended December 31, 2021 and 2020 and the period September 30, 2019 through December 31, 2019, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Skoah Franchise, LLC as of December 31, 2021, 2020 and 2019, and the results of its operations and its cash flows for the years ended December 31, 2021 and 2020 and the period September 30, 2019 through December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Skoah Franchise, LLC, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

**Report on the Audits of the Financial Statements (Continued)**

***Responsibilities of Management for the Financial Statements (Continued)***

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Skoah Franchise, LLC's ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Skoah Franchise, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Skoah Franchise, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



Troy, Michigan  
March 2, 2022

# SKOAH FRANCHISE, LLC

## BALANCE SHEETS DECEMBER 31, 2021, 2020 AND 2019

| <u>Assets</u>                                               | <u>2021</u>      | <u>2020</u>      | <u>2019</u>       |
|-------------------------------------------------------------|------------------|------------------|-------------------|
| Cash                                                        | \$ 4,013         | \$ 3,425         | \$ 149,930        |
| Accounts receivable - trade                                 | 2,269            | 4,933            | -                 |
| Accounts receivable - related party (note 2)                | -                | -                | 744               |
| Prepaid franchise fees (note 3)                             | 52,573           | 68,882           | -                 |
| Prepaid and other assets                                    | -                | 3,354            | -                 |
| Franchise asset (note 1)                                    | 10               | 10               | 10                |
|                                                             | <u>58,865</u>    | <u>80,604</u>    | <u>150,684</u>    |
| Total assets                                                | <u>\$ 58,865</u> | <u>\$ 80,604</u> | <u>\$ 150,684</u> |
| <br><b><u>Liabilities and Members' Equity (Deficit)</u></b> |                  |                  |                   |
| Accounts payable - related party (note 2)                   | \$ 156,687       | \$ 241,800       | \$ 31,850         |
| Accounts payable - trade                                    | 29,690           | 10,970           | -                 |
| Deferred revenue (note 3)                                   | 65,716           | 86,102           | -                 |
| Other accrued liabilities                                   | -                | 37,760           | -                 |
|                                                             | <u>252,093</u>   | <u>376,632</u>   | <u>31,850</u>     |
| Total liabilities                                           | <u>252,093</u>   | <u>376,632</u>   | <u>31,850</u>     |
| Members' equity (deficit)                                   | <u>(193,228)</u> | <u>(296,028)</u> | <u>118,834</u>    |
|                                                             | <u>\$ 58,865</u> | <u>\$ 80,604</u> | <u>\$ 150,684</u> |
| Total liabilities and members' equity (deficit)             | <u>\$ 58,865</u> | <u>\$ 80,604</u> | <u>\$ 150,684</u> |

See accompanying notes to financial statements

# SKOAH FRANCHISE, LLC

## STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT) YEARS ENDED DECEMBER 31, 2021, 2020 AND PERIOD SEPTEMBER 30, 2019 THROUGH DECEMBER 31, 2019

|                                                           | <u>2021</u>                | <u>2020</u>                | <u>2019</u>              |
|-----------------------------------------------------------|----------------------------|----------------------------|--------------------------|
| Revenues                                                  | \$ 50,151                  | \$ 42,950                  | \$ 8,386                 |
| Operating expenses                                        | <u>227,351</u>             | <u>529,968</u>             | <u>39,552</u>            |
| Loss from operations                                      | (177,200)                  | (487,018)                  | (31,166)                 |
| Other income                                              | <u>-</u>                   | <u>42,156</u>              | <u>-</u>                 |
| Net loss                                                  | (177,200)                  | (444,862)                  | (31,166)                 |
| Members' equity (deficit) - beginning                     | (296,028)                  | 118,834                    | -                        |
| Accounts payable from member converted to equity (note 4) | 218,973                    | -                          | -                        |
| Contributions from member (note 4)                        | <u>61,027</u>              | <u>30,000</u>              | <u>150,000</u>           |
| Members' equity (deficit) - ending                        | <u><u>\$ (193,228)</u></u> | <u><u>\$ (296,028)</u></u> | <u><u>\$ 118,834</u></u> |

See accompanying notes to financial statements

# SKOAH FRANCHISE, LLC

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021, 2020 AND PERIOD SEPTEMBER 30, 2019 THROUGH DECEMBER 31, 2019

|                                             | <u>2021</u>            | <u>2020</u>            | <u>2019</u>              |
|---------------------------------------------|------------------------|------------------------|--------------------------|
| Cash flows from operating activities:       |                        |                        |                          |
| Net loss                                    | \$ (177,200)           | \$ (444,862)           | \$ (31,166)              |
| Adjustments:                                |                        |                        |                          |
| Forgiveness of related party debt           | -                      | (42,156)               | -                        |
| Changes in assets and liabilities:          |                        |                        |                          |
| (Increase) decrease in:                     |                        |                        |                          |
| Accounts receivable - trade                 | 2,664                  | (4,933)                | -                        |
| Accounts receivable - related party         | -                      | 744                    | (744)                    |
| Prepaid franchise fees                      | 16,309                 | (68,882)               | -                        |
| Prepaid and other assets                    | 3,354                  | (3,354)                | -                        |
| Increase (decrease) in:                     |                        |                        |                          |
| Accounts payable - related party            | 133,860                | 209,950                | 31,840                   |
| Accounts payable - trade                    | 18,720                 | 10,970                 | -                        |
| Deferred revenue                            | (20,386)               | 86,102                 | -                        |
| Other accrued liabilities                   | (37,760)               | 37,760                 | -                        |
| Total adjustments                           | <u>116,761</u>         | <u>226,201</u>         | <u>31,096</u>            |
| Net cash used in operating activities       | (60,439)               | (218,661)              | (70)                     |
| Cash flows from financing activities:       |                        |                        |                          |
| Proceeds from related party debt            | -                      | 42,156                 | -                        |
| Contributions from members                  | <u>61,027</u>          | <u>30,000</u>          | <u>150,000</u>           |
| Net cash provided from financing activities | <u>61,027</u>          | <u>72,156</u>          | <u>150,000</u>           |
| Net increase (decrease) in cash             | 588                    | (146,505)              | 149,930                  |
| Cash - beginning                            | <u>3,425</u>           | <u>149,930</u>         | <u>-</u>                 |
| Cash - ending                               | <u><u>\$ 4,013</u></u> | <u><u>\$ 3,425</u></u> | <u><u>\$ 149,930</u></u> |

### **Schedule of Noncash Financing Activities**

|                                                                   |                          |                    |                    |
|-------------------------------------------------------------------|--------------------------|--------------------|--------------------|
| Conversion of accounts payable - related party to members' equity | <u><u>\$ 218,973</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
|-------------------------------------------------------------------|--------------------------|--------------------|--------------------|

See accompanying notes to financial statements

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### **Note 1 - Nature of Business and Significant Accounting Policies**

#### Nature of Business

Skoah Franchise, LLC (the “Company”) was formed on September 30, 2019. The Company’s operations are principally related to the sale and support of franchises for skin care boutiques under the “Skoah” name in the United States of America. The Company was formed as a multiple member LLC with a perpetual existence. The liability of the members of the Company is limited to the members total capital contributions.

The Company entered into franchise agreements for single franchise units that totaled -0-, 3, and 2 units as of December 31, 2021, 2020 and 2019, respectively. Franchise units in operation amounted to 2 units as of December 31, 2021, 2020 and 2019.

#### Revenue Recognition

The Company earns revenue through franchise fees and ongoing royalty and advertisement fees under the Company’s franchise agreements.

When an individual franchise is sold, the Company agrees to provide certain services to the franchisee. Generally, these services include assistance in site selection, training personnel, and other services.

Initial franchise fee revenue is recognized over the life of the franchise agreements, which is generally 10 years, as the fee is for the right to use the Company’s intellectual property over the term of the agreement. Initial franchise fee payments received by the Company that have not yet been recognized are recorded as deferred revenue. Expenses incurred related to the franchise agreements, consisting mostly of broker fees, are deferred and recognized over the life of the associated franchise agreement. See Note 3 for further disclosures related to deferred revenue.

Royalty and advertisement fees are based on a percentage of franchisee sales and are recorded as revenue as the fees are earned and become receivable from the franchisees. The Company recognized royalty and advertisement fees of \$20,934, \$34,395 and \$7,612 for the years ended December 31, 2021 and 2020 and for the period September 30, 2019 through December 31, 2019, respectively.

Additional revenue is recognized for miscellaneous fees received from the franchisees which primarily consist of technology fees. The Company recognized revenue relating to these items of \$1,131, \$5,157 and \$774 for the years ended December 31, 2021 and 2020 and for the period September 30, 2019 through December 31, 2019, respectively.

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

#### Revenue Recognition (Continued)

Operating expenses consist primarily of outside service and marketing costs and are charged to expense as incurred.

Revenue recognized at a point in time and over time are as follows:

|                                                         | <u>2021</u>      | <u>2020</u>      | <u>2019</u>     |
|---------------------------------------------------------|------------------|------------------|-----------------|
| Products and services transferred<br>at a point in time | \$ 28,086        | \$ 3,398         | \$ -            |
| Services transferred over time                          | <u>22,065</u>    | <u>39,552</u>    | <u>8,386</u>    |
| Total revenues earned                                   | <u>\$ 50,151</u> | <u>\$ 42,950</u> | <u>\$ 8,386</u> |

#### Cash

The Company places its temporary cash investments with high credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit.

#### Franchise Asset

The Company acquired the franchise agreement rights to two locations in the United States of America from Skoah Franchise, Inc., a related party through common ownership. Consideration of \$10 was paid for the two locations franchise rights and were capitalized.

#### Income Taxes

The Company is organized as a limited liability company in accordance with Delaware law. In accordance with the provisions of the Internal Revenue Code, a limited liability company is not subject to Federal income taxes and its income is included in its member's income tax returns. Therefore, no provision has been made in the accompanying financial statements for Federal income taxes or deferred income taxes.

The Company's income tax filings are subject to audit by various taxing authorities. The open audit periods will be 2019 - 2021.

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

#### Advertising

Advertising costs are expensed as incurred and amounted to \$38,305, \$84,078 and \$1,832 for the years ended December 31, 2021 and 2020 and the period September 30, 2019 through December 31, 2019, respectively.

#### Estimates

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

#### Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including March 2, 2022, which is the date the financial statements were available to be issued.

### **Note 2 - Related Party Transactions**

The majority of all revenues and expenses of the Company for the period September 30, 2019 through December 31, 2019 were collected by or paid for on behalf of the Company by Skoah Franchise, Inc. and Franworth LLC, which are related parties through common ownership.

The Company had accounts payable of \$10,961 at December 31, 2020 due to Skoah Franchise, Inc. related to marketing expenses paid on behalf of the Company during the year ended December 31, 2020. The Company had accounts receivable of \$744 at December 31, 2019 due from Skoah Franchise, Inc. representing the net of revenues collected by and expenses paid on behalf of the Company by Skoah Franchise, Inc. during the period September 30, 2019 through December 31, 2019.

The Company had accounts payable of \$1,866 at December 31, 2020 due to Skoah Franchise Canada Corp. related to various expenses paid on behalf of the Company during the year ended December 31, 2020.

The Company had accounts payable of \$10,000 at December 31, 2020 due to Skoah Products, Inc. related to purchases of initial franchise package items for franchisee units during the year ended December 31, 2020.

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### Note 2 - Related Party Transactions (Continued)

The Company had accounts payable of \$156,678, \$218,973 and \$31,840 at December 31, 2021, 2020 and 2019, respectively, due to Franworth, LLC. The payable represents expenses paid on the Company's behalf by Franworth, LLC during the years ended December 31, 2021 and 2020 and the period September 30, 2019 through December 31, 2019. Amounts due to other related parties amount to \$9, \$22,827 and \$10 at December 31, 2021, 2020 and 2019, respectively.

In 2020, Franworth, LLC received loan proceeds from the Paycheck Protection Program ("PPP"). The PPP established as a part of the Coronavirus Aid Relief and Economic Security Act ("CARES Act"), provides loans to qualified businesses. The Company was allocated \$42,156 from Franworth, LLC's PPP loan to fund payroll related costs. The allocated PPP funds were fully forgiven by Franworth, LLC as of December 31, 2020 and included in other income for the year ended December 31, 2020.

### Note 3 - Franchise Fees and Deferred Revenue

Franchise fees related to deferred revenues as of December 31, 2021, 2020 and 2019 and activity for the periods then ended can be summarized as follows:

|                             | <u>2021</u>      | <u>2020</u>      | <u>2019</u> |
|-----------------------------|------------------|------------------|-------------|
| Beginning                   | \$ 68,882        | \$ -             | \$ -        |
| Franchise development costs | -                | 71,600           | -           |
| Less: expense recognized    | <u>16,309</u>    | <u>2,718</u>     | <u>-</u>    |
| Ending                      | <u>\$ 52,573</u> | <u>\$ 68,882</u> | <u>\$ -</u> |

Deferred revenue related to franchise fees as of December 31, 2021, 2020 and 2019 and activity for the periods then ended can be summarized as follows:

|                                        | <u>2021</u>      | <u>2020</u>      | <u>2019</u> |
|----------------------------------------|------------------|------------------|-------------|
| Beginning                              | \$ 86,102        | \$ -             | \$ -        |
| Franchise fees                         | -                | 89,500           | -           |
| Less: franchise fee revenue recognized | <u>20,386</u>    | <u>3,398</u>     | <u>-</u>    |
| Ending                                 | <u>\$ 65,716</u> | <u>\$ 86,102</u> | <u>\$ -</u> |

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### **Note 4 - Operating Agreement**

The Company's operating agreement includes two types of membership units, Class A and Class B units. Class A units have full voting rights and Class B units are nonvoting.

As of December 31, 2020, the Company had issued 1,500 of Class A units and no Class B units.

Effective January 31, 2021, Franworth, LLC contributed \$218,973 to equity by converting the outstanding balance of the accounts payable owed to them to members equity and contributed \$61,027 in capital in exchange for the membership interest in the minority member of the Company. There was no gain or loss recorded as a result of this conversion.

### **Note 5 - Uncertainty**

The accompanying financial statements have been prepared assuming that the Company will continue operations, which contemplates the realization of assets and liabilities in the normal course of business. The Company incurred a net loss of \$177,200 for the year ended December 31, 2021. The Company also had a working capital deficit of \$180,095 at December 31, 2021.

The Company experienced a significant disruption in business from the outbreak of the COVID-19 coronavirus in the United States which directly contributed to the net loss experienced in 2020 and 2021 and resulting working capital deficits at December 31, 2021. The Company continues to monitor developments related to COVID-19, including government requirements, recommendations, and opportunities for assistance for small businesses. In addition, the Company has taken several steps to strengthen its financial position and balance sheet, preserve cash and maintain financial liquidity and flexibility, including reviewing operating expenses and evaluating purchases.

At December 31, 2021, Franworth, LLC was the majority member of the Company. Franworth, LLC has historically provided the necessary working capital to meet the Company's short-term obligations and the necessary capital to offset the net operating losses incurred by the Company. Franworth, LLC has pledged to continue its financial support and management believes that these actions will enable the Company to continue its operations through March 2, 2023.

# SKOAH FRANCHISE, LLC

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021, 2020 AND 2019

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### Note 6 - Franchise Information

The following is a summary of the franchise activity for franchises for the years ended December 31, 2021 and 2020, and the period September 30, 2019 through December 31, 2019:

|                                        | <u>2021</u>     | <u>2020</u>     | <u>2019</u>     |
|----------------------------------------|-----------------|-----------------|-----------------|
| Franchises open at beginning of period | 2               | 2               | 2               |
| Franchises opened during the period    | -               | -               | -               |
| Franchises closed during the period    | <u>-</u>        | <u>-</u>        | <u>-</u>        |
| Franchises open at end of period       | <u><u>2</u></u> | <u><u>2</u></u> | <u><u>2</u></u> |

**\* \* \* End of Notes \* \* \***

**EXHIBIT F-2**

**UNAUDITED**

**FINANCIAL STATEMENTS**

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

**SKOAH FRANCHISE, LLC**

**UNAUDITED BALANCE SHEET  
AUGUST 31, 2022**

**Assets**

|                             |                   |
|-----------------------------|-------------------|
| Cash                        | \$ 124,959        |
| Accounts receivable - trade | 1,817             |
| Prepaid franchise fees      | 52,573            |
| Prepaid and other assets    | 0                 |
| Franchise asset             | 10                |
|                             | <hr/>             |
| Total assets                | <b>\$ 179,359</b> |

**Liabilities and Members' Equity (Deficit)**

|                                                 |                   |
|-------------------------------------------------|-------------------|
| Accounts payable - related party                | 57,729            |
| Accounts payable - trade                        | 25,172            |
| Deferred revenue                                | 65,716            |
| Other accrued liabilities                       | 3,000             |
|                                                 | <hr/>             |
| Total liabilities                               | 151,617           |
|                                                 |                   |
| Members' equity (deficit)                       | 27,742            |
|                                                 | <hr/>             |
| Total liabilities and members' equity (deficit) | <b>\$ 179,359</b> |

## SKOAH FRANCHISE, LLC

### UNAUDITED STATEMENT OF OPERATIONS AND MEMBERS' EQUITY (DEFICIT) FOR THE EIGHT MONTHS ENDED AUGUST 31, 2022

|                                       |    |                      |
|---------------------------------------|----|----------------------|
| Revenues                              | \$ | 169,498              |
| Operating expenses                    |    | <u>283,528</u>       |
| Net loss                              | \$ | (114,030)            |
| Members' equity (deficit) - beginning | \$ | (193,228)            |
| Contributions from members            | \$ | <u>335,000</u>       |
| Members' equity (deficit) - ending    | \$ | <u><u>27,742</u></u> |

**EXHIBIT G**

**LIST OF CURRENT AND FORMER FRANCHISEES**

## LIST OF CURRENT FRANCHISEES

As of December 31, 2021

### **Franchisees with Outlets Open**

| Owner                         | Street Address                          | City      | ST | Zip   | Mobile       |
|-------------------------------|-----------------------------------------|-----------|----|-------|--------------|
| Shawn & Nancy Madden*         | 1014 Southside Court                    | Nashville | TN | 37203 | 615-986-8663 |
| Michael and Lauri Stufflebeme | 1737 West 34 <sup>th</sup> St., Ste 150 | Houston   | TX | 77018 | 832-582-7167 |

\*These franchisees are also multi-unit developers.

### **Franchisees with Franchise Agreements Signed but Outlet Not Opened**

*None*

## **LIST OF FORMER FRANCHISEES**

**As of December 31, 2021**

The following are franchisees who have been terminated, canceled, not renewed, or have otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during our most recently completed fiscal year or who have not communicated with us within 10 weeks of the date of issuance of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

*None*

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

**EXHIBIT H**

**LIST OF STATE ADMINISTRATORS  
AND AGENTS FOR SERVICE OF PROCESS**

## LIST OF STATE ADMINISTRATORS

| STATE             | STATE ADMINISTRATOR                                                                                                                                                                                                                                                     |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b> | Department of Financial Protection and Innovation<br><br>320 West 4 <sup>th</sup> Street, Suite 750<br><br>Los Angeles, California 90013<br><br>(213) 576-7505<br><br>(866) 275-2677                                                                                    |
| <b>HAWAII</b>     | Commissioner of Securities of the State of Hawaii<br><br>Department of Commerce and Consumer Affairs<br><br>Business Registration Division<br><br>Securities Compliance Branch<br><br>335 Merchant Street, Room 203<br><br>Honolulu, Hawaii 96813<br><br>(808) 586-2722 |
| <b>ILLINOIS</b>   | Franchise Bureau<br><br>Office of the Attorney General<br><br>500 South Second Street<br><br>Springfield, Illinois 62706<br><br>(217) 782-4465                                                                                                                          |
| <b>INDIANA</b>    | Securities Commissioner<br><br>Indiana Securities Division<br><br>302 West Washington St., Room E-111<br><br>Indianapolis, Indiana 46204<br><br>(317) 232-6681                                                                                                          |
| <b>MARYLAND</b>   | Office of the Attorney General<br><br>Securities Division                                                                                                                                                                                                               |

| STATE               | STATE ADMINISTRATOR                                                                                                                                                                                             |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                     | 200 St. Paul Place<br>Baltimore, Maryland 21202-2021<br>(410) 576-6360                                                                                                                                          |
| <b>MICHIGAN</b>     | Department of Attorney General<br>Consumer Protection Division<br>Franchising Unit<br>525 West Ottawa Street<br>G. Mennen Williams Building, 1 <sup>st</sup> Floor<br>Lansing, Michigan 48913<br>(517) 373-1837 |
| <b>MINNESOTA</b>    | Minnesota Department of Commerce<br>85 Seventh Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                                                                                             |
| <b>NEW YORK</b>     | NYS Department of Law<br>Investor Protection Bureau<br>28 Liberty St. 21 <sup>st</sup> FL<br>New York, NY 10005<br>(212) 416-8222                                                                               |
| <b>NORTH DAKOTA</b> | North Dakota Securities Department<br>600 East Blvd. Avenue<br>State Capitol, Fifth Floor Dept. 414<br>Bismarck, North Dakota 58505<br>(701) 328-4712                                                           |

| STATE               | STATE ADMINISTRATOR                                                                                                                                                         |
|---------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>RHODE ISLAND</b> | Securities Division<br>Department of Business Regulation<br>1511 Pontiac Avenue, Building 69-1<br>Cranston, Rhode Island 02920<br>(401) 462-9585                            |
| <b>SOUTH DAKOTA</b> | Division of Insurance<br>Securities Regulation<br>124 S. Euclid, 2 <sup>nd</sup> Floor<br>Pierre SD 57501<br>(605) 773-3563                                                 |
| <b>TEXAS</b>        | Statutory Document Section<br>Secretary of State<br>P.O. Box 12887<br>Austin, Texas 78711                                                                                   |
| <b>VIRGINIA</b>     | State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street. 9 <sup>th</sup> Floor<br>Richmond, Virginia 23219<br>(804) 371-9051 |
| <b>WASHINGTON</b>   | Washington Dept. of Financial Institutions<br>Securities Division<br>150 Israel Rd SW<br>Tumwater WA 98501<br>(360) 902-8760                                                |
| <b>WISCONSIN</b>    | Securities and Franchise Registration                                                                                                                                       |

| STATE | STATE ADMINISTRATOR                                                                                                                                  |
|-------|------------------------------------------------------------------------------------------------------------------------------------------------------|
|       | <p>Wisconsin Securities Commission</p> <p>345 West Washington Street, 4<sup>th</sup> Floor</p> <p>Madison, Wisconsin 53703</p> <p>(608) 266-3364</p> |

## LIST OF STATE AGENTS FOR SERVICE OF PROCESS

| STATE             | AGENT FOR SERVICE OF PROCESS                                                                                                                     |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA</b> | Commissioner<br>Department of Financial Protection and Innovation<br>320 West 4th Street, Suite 750<br>Los Angeles, California 90013             |
| <b>ILLINOIS</b>   | Illinois Attorney General<br>500 South Second Street<br>Springfield, Illinois 62706                                                              |
| <b>INDIANA</b>    | Indiana Secretary of State<br>302 West Washington Street, Room E-111<br>Indianapolis, Indiana 46204                                              |
| <b>MICHIGAN</b>   | Michigan Department of Labor & Economic Growth<br>Commercial Services & Corporations Bureau<br>611 West Ottawa Street<br>Lansing, Michigan 48909 |
| <b>MARYLAND</b>   | Maryland Securities Commissioner<br>Securities Division<br>200 St. Paul Place<br>Baltimore, MD 21202-2020<br>(410) 576-6360                      |
| <b>MINNESOTA</b>  | Minnesota Commissioner of Commerce<br>85 Seventh Place East, Suite 280<br>St. Paul, Minnesota 55101<br>(651) 539-1600                            |

| STATE               | AGENT FOR SERVICE OF PROCESS                                                                                                                                     |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NEW YORK</b>     | Secretary of State of the State of New York<br>One Commerce Plaza<br>99 Washington Avenue<br>Albany, New York 11231                                              |
| <b>RHODE ISLAND</b> | Director of Business Regulation<br>Division of Banking and Securities<br>233 Richmond Street, Suite 232<br>Providence, RI 02903-4232<br>(401) 222-3048           |
| <b>VIRGINIA</b>     | Clerk, State Corporation Commission<br>Division of Securities and Retail Franchising<br>1300 East Main Street, 1 <sup>st</sup> Floor<br>Richmond, Virginia 23219 |
| <b>WASHINGTON</b>   | Director, Department of Financial Institutions<br>Securities Division<br>150 Israel Road, S.W.<br>Tumwater, Washington 98501                                     |
| <b>WISCONSIN</b>    | Wisconsin Commissioner of Securities<br>345 W. Washington Avenue, 4th Floor<br>Madison, WI 53703                                                                 |

## **EXHIBIT I**

### **STATE EFFECTIVE DATES**

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

| <b>State</b> | <b>Effective Date</b> |
|--------------|-----------------------|
| California   | August 5, 2022        |
| Illinois     | July 25, 2022         |
| Indiana      | N/A                   |
| Maryland     | August 9, 2022        |
| Michigan     | April 11, 2022        |
| Minnesota    | N/A                   |
| New York     | Pending               |
| Rhode Island | N/A                   |
| Virginia     | July 5, 2022          |
| Washington   | N/A                   |
| Wisconsin    | N/A                   |

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT J**

**RECEIPTS**

## 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 Skoah Franchise, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale, or sooner if required by applicable state law.

Applicable state laws in (a) Michigan requires us to provide you the disclosure document at least 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale and (b) New York and Rhode Island require us to provide you the disclosure document at the earlier of the first personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If Skoah Franchise, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and any applicable state agency (as listed in Exhibit G to this disclosure document).

The franchisor is Skoah Franchise, LLC, 4370 Varsity Dr. Suite G, Ann Arbor, MI 48108. Its telephone number is 734-619-0919

Issuance Date: March 18, 2022, as amended October 12, 2022

The franchise seller for this offering is:

| Name               | Principal Business Address                       | Telephone Number |
|--------------------|--------------------------------------------------|------------------|
| John Cohen         | 106 E. Liberty Rd., Ste 310, Ann Arbor, MI 48104 | 734-430-9209     |
| Christina Chambers | 3636 Julie Ct, Wheatfield, NY 14120              | 770-310-1783     |

I received a Disclosure Document with an issuance date of March 18, 2022, as amended October 12, 2022. State registration effective dates are listed on the State Registrations page contained in the Disclosure Document. The Disclosure Document included the following Exhibits:

- Exhibit A – State Specific Appendix
- Exhibit B – Franchise Agreement and all Attachments
- Exhibit C – Development Agreement
- Exhibit D – General Release (Sample Form Only)
- Exhibit E – Table of Contents of Confidential Operations Manual
- Exhibit F – Financial Statements
- Exhibit G – List of Current and Former Franchisees
- Exhibit H – List of State Administrators and Agents for Service of Process
- Exhibit I – State Effective Dates
- Exhibit J – Receipts

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Printed Name

Printed name

Signed, individually and as an officer of

\_\_\_\_\_(a Corporation )

\_\_\_\_\_(a Partnership)

\_\_\_\_\_(a Limited Liability Company)

Signed, individually and as an officer of

\_\_\_\_\_(a Corporation)

\_\_\_\_\_(a Partnership)

\_\_\_\_\_(a Limited Liability Company)

**[KEEP THIS PAGE FOR YOUR RECORDS]**

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- Exhibit I – State Effective Dates
- Exhibit J – Receipts

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Printed Name

Printed name

Signed, individually and as an officer of

Signed, individually and as an officer of

\_\_\_\_\_ (a Corporation)

\_\_\_\_\_ (a Corporation)

\_\_\_\_\_ (a Partnership)

\_\_\_\_\_ (a Partnership)

\_\_\_\_\_ (a Limited Liability Company)

\_\_\_\_\_ (a Limited Liability Company)

**[Please return this completed form to Skoah Franchise, LLC by Fax: 734-808-0066, E-mail: [info@skoahfacials.com](mailto:info@skoahfacials.com); or Regular Mail: 106 E. Liberty, Ann Arbor, MI 48106]**